

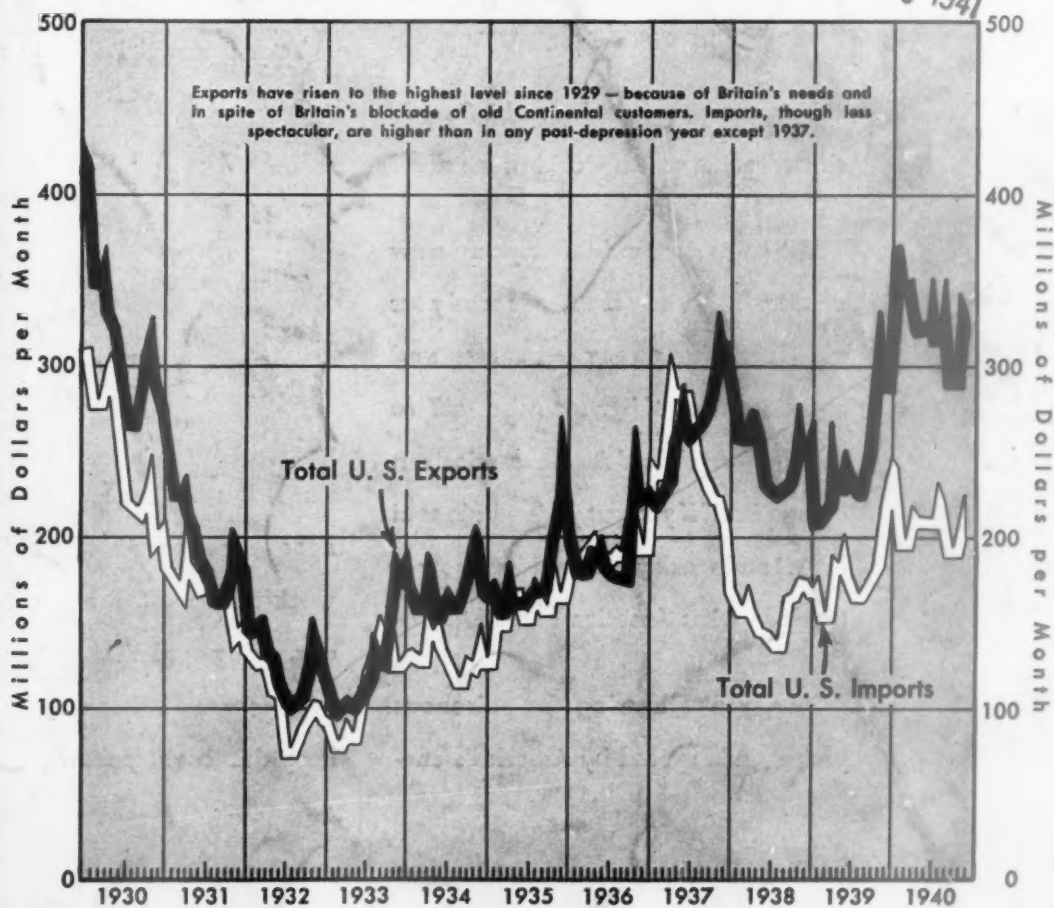
BUSINESS WEEK

WEEK
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THE WAR-BUSINESS STORY IN TWO LINES

JAN 13 1941



Data: U.S. Department of Commerce

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DEX

PUBLISHED BY THE MCGRAW HILL PUBLISHING COMPANY, INC. • TWENTY CENTS

A message to American workmen of foreign blood

★ ★ ★ You or your fathers came to America to escape the brutal tyranny, the vicious oppression that is ruling Europe today. That pioneer trip across thousands of miles of ocean was a hard experience, a brave adventure.

You came to America to be free. Is that freedom worth working for now?

What can you do for your new country, for the future freedom of your children, for your own safety and security? *Everything. America will be safe if it can defend itself.* America can defend itself if you put your whole soul into it and work your level best now to produce what America needs.

Sure, you're hearing the poisonous propaganda spread by America's ene-

mies—"Don't work too hard." They make it sound believable by saying, "If you work hard and produce more, your job won't last as long." The man who tells you that is a traitor.

Your job will last only as long as America is free, and America will stay free only if you and everyone *work for its freedom.*

There are 3,000 of us workmen here at Warner & Swasey—many originally from Europe, but all of us are Americans now. We don't make munitions, but we make the turret lathes necessary to produce munitions. We're working three full shifts, 24 hours a day, doing our level best. Will you who use our turret lathes do *your* best—and keep this country free?

YOU CAN TURN IT BETTER, FASTER, FOR LESS . . .
WITH A WARNER & SWASEY

**WARNER
&
SWASEY**
Turret Lathes
Cleveland



Rubber that keeps roads from blowing away

A typical example of Goodrich development in rubber

IN FLORIDA much of the rock available for highways is a soft type of limestone. Road rollers of steel crush it into dust—roads literally blow away. A roller manufacturer who had tried everything else remembered the unusual things Goodrich engineers do with rubber. Could a steam roller be shod with rubber soft enough to crunch but not crush the stone? Could rubber stand the constant cutting of the sharp rock? And could rubber stick on the giant roller as it turned and twisted in its work?

Goodrich engineers had developed a

special rubber compound soft yet tough enough to stand the grinding of sharp sand in ship's propeller shaft bearings; another rubber that outwears steel 10 to 1 in linings for rock-handling chutes. With this experience they developed a rubber ideal for Florida roads—so tough it outwears steel rollers, so soft it presses the rock firmly into place without crushing it, leaving a slightly coarse surface that is almost skid-proof, wet or dry.

The special Goodrich rubber, 1 inch thick, was attached to the giant roller by the Vulcalock bond—a patented

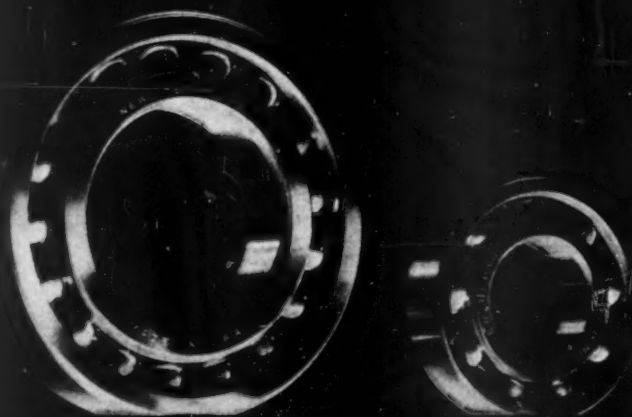
Goodrich method of attaching rubber to steel with a grip of 700 pounds to the square inch.

The steam roller with the rubber shoes has been at work for months without a moment's trouble—a typical example of how Goodrich research in rubber can be applied to solving apparently impossible problems. *The B. F. Goodrich Company, Mechanical Goods Division, Akron, Ohio.*

Goodrich
ALL products problems IN RUBBER

TEAMWORK

Develops Better Machines



IN the factory and in the field, New Departure designers and engineers work with their customers to develop better bearings and better machines. As a result machinery manufacturers declare that New Departure men know ball bearings *and* bearing engineering as well.

NEW DEPARTURE

THE FORGED STEEL BEARING

Nothing Rolls Like a Ball



Write to Main Office, New Departure, Division of General Motors, Bristol, Connecticut for engineering consultation and 150 page book, "Why Anti-Friction Bearings."



Authorized automotive and industrial replacement bearing service, wherever you see the United Motors Service sign. Authentic records. Complete stocks. Prompt delivery.

BUSINESS WEEK

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Other photographs in this issue were taken by Business Week photographers or obtained from private sources.

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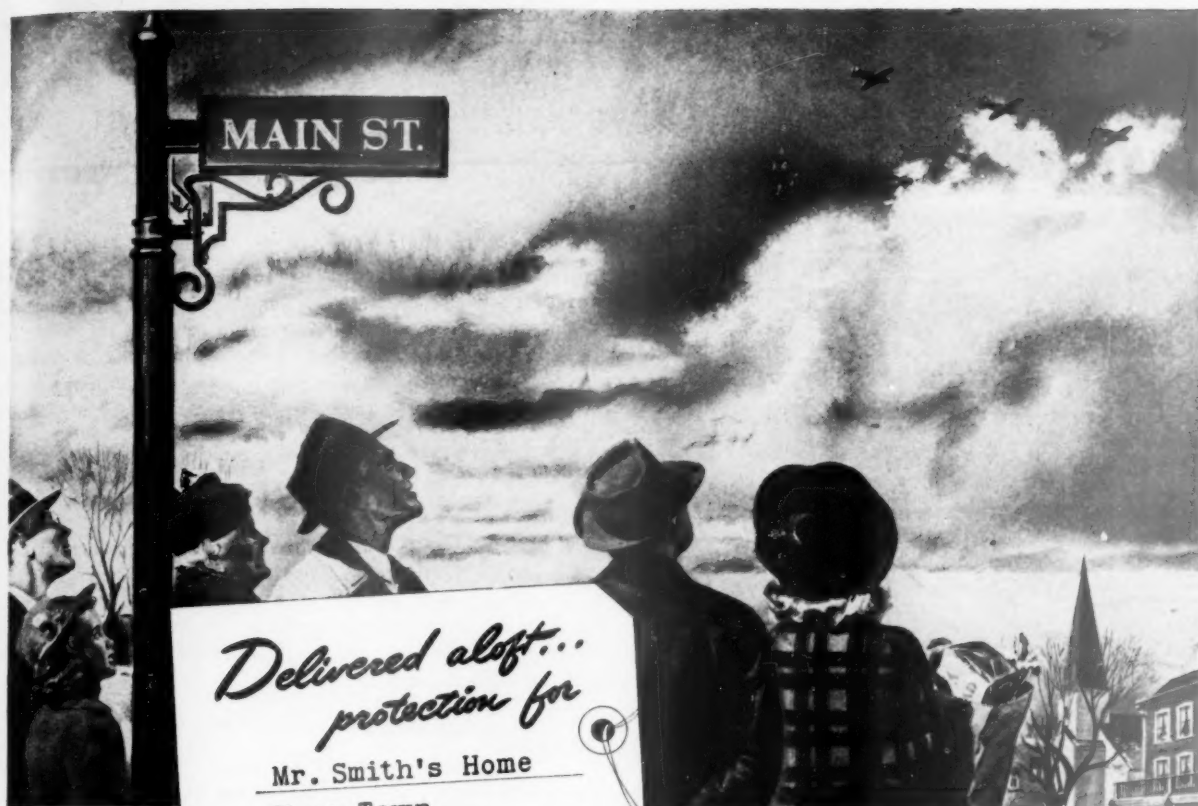
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A McGRAW-HILL



PUBLICATION



A war is loose in the world. Men and metals must be drafted to meet a dire emergency.

The biggest job aluminum has right now is to help defend America. For that job, this nation needs more aluminum than was ever used before.

To provide that amount of aluminum the industry must now more than double, in a matter of months, the production facilities it had built up through more than half a century.

Aluminum Company of America, as part of the industry, has undertaken to carry out now a program of expansion which in normal times would require two decades.

This company alone is investing over one hundred and fifty million dollars in new factories . . . new mills . . . new machinery . . . new dams . . . new power projects . . . new ships.

From the 1939 all-time annual peak production of 327,000,000 pounds, Aluminum Company of America expects to be producing at the rate of more than 700,000,000 pounds per year before the end of 1942.

But in the meantime, defense requirements come first. As an example, the railroads who use aluminum for streamlined trains may have to wait for the aluminum alloys which would be supplied promptly in normal times. The very qualities which make aluminum desirable for streamlined trains are among the factors which make it so valuable for the defense program . . . and which give defense a prior call on the metal immediately available.

If you find it difficult at the moment to get all the aluminum you want, when you want it, you will know that aluminum has gone off to defend your home and your country.

When we supply aluminum for National Defense in this crisis, your business and your family are served in an infinitely deeper sense than if the aluminum actually went to you.

And when the emergency is past, there will be more aluminum than was ever available before . . . lower prices . . . and more ways in which aluminum can serve industry and the nation.

COMING:

A Preview of Aluminized America

When war is done . . . when peace is here . . . when people and markets are once more free . . . you will see such an upsurge in the use of aluminum as to make this in a very real sense an Aluminized America—lighter, brighter, and more efficient.

What will an Aluminized America mean to industry, agriculture, and the American home?


Some of the things it will mean are still locked in the minds of research men and development engineers. But some are very plainly indicated. In future advertisements in this space, we hope to show you some of the trends that may affect all of us. In one way or another, they will all grow out of

Aluminum's Economic Advantages

Here are 12 of them:

Light Weight	Workability
High Resistance to Corrosion	Non-magnetic
High Electrical Conductivity	Non-toxic
High Reflectivity for Light and Radiant Heat	Strength in Alloys
	Non-sparking
	Appearance
	High Scrap and Re-Use Value
	High Conductivity for Heat

This, then is a preview of a preview

ALUMINUM COMPANY  OF AMERICA

**EAT in COMFORT
...WORK in PEACE!**



Employee cafeteria in the plant of FISHER BODY CORPORATION, Pontiac, Michigan



This Pick cafeteria is installed in the INTERNATIONAL HARVESTER COMPANY, Chicago

An employee cafeteria makes a plant more efficient, more pleasant to work in—it gives an outlying location desirable convenience, it promotes a friendlier atmosphere between factory and office.

We have built all kinds of cafeterias for industry to fit all sorts of conditions and budgets.

To each new plan we bring a wide experience with mass feeding plus an understanding of modern personnel conditions.

ALBERT PICK CO., INC.
2159 Pershing Road, Chicago

America's Leading
Food Service
Equipment House

INDUSTRIAL CAFETERIAS BY



• Without cost or obligation, a Pick Engineer will gladly discuss your employee-feeding problem, suggest proper equipment, estimate costs—whether you need modernization of present facilities or a completely new installation.

BUSINESS WEEK

and The ANNALIST

January 11, 1941

THE PARAMOUNT ISSUE

If you were asked to give a quick demonstration of the effect of the war on American business, you couldn't do better than to flash the chart on this week's cover. It epitomizes the whole story, emphasizes its most dramatic chapter, entitled, "Aid to Britain." For clues to how that chapter will be written, our Washington Bureau goes behind the President's message to a seething Congress (page 15). The Outlook appraises its cost, as set forth in the Budget (page 13).

KEY TO DEFENSE

"What," asked the teletype operator who shot our cover line to the printer, "are treckers?" Well, if the Trecker brothers do their stuff in Washington, "trecking" may get into the American language as the answer to how America is going to put across its defense program. It will mean subcontracting, as they have amazingly perfected it and described it for Business Week readers (page 20).

THE FORD "SITUATION"

If you had wanted to talk to the Labor Editor any time between 10 and 5 one day last week you would have had to call the office of Harry Bennett, Ford personnel director, in the Ford plant at River Rouge. Only twice would you have failed to reach him—during lunch hour and for five minutes when Bennett was carrying on a conversation that started with, "Yes, Mr. Ford." If you had wanted to get into touch with him at other times, you would have had to locate James F. Dewey, federal labor conciliator, run down Michael F. Widman, Ford organizer for C.I.O.'s United Automobile Workers, call through sundry other U.A.W. leaders and rank-and-file members, or through other Ford officials than Bennett. Later on, you might have dug him out of research in the files in New York. At any time you would have interrupted a job of getting sound answers to tough questions like these: Why has there been a "Ford labor situation" since NRA days? When will the showdown come? What are the circumstances which will force or avert it? The report on that job starts on page 39.

THREE FIRSTS FOR '41

Ernest Bevin addressed the London Rotary Club (page 53), Secretary Hull kept silent about a new deal on the "hemisphere program" (page 50), Marriner Eccles led a move against inflation (page 46). Speech, silence, and move all have a meaning that business can't afford to miss.

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Will a cute little kitten be the symbol for Industry's next great expansion area?

The Chessie Corridor is so abundantly rich in the vital needs of industry that many a company is talking "Move".

When George Washington first surveyed this great "Route of Empire East and West" he couldn't have dreamed of the wealth that surrounded him. For here, in one compact area near our nation's major markets, is practically everything that industry needs!

Washington couldn't have dreamed, either, of the things that have been done here...of the great plants which make miracles out of coal, air and water, the buzzing textile mills producing enough cloth to clothe all his countrymen from head to foot, the paper mills which make more paper in an hour than Washington saw in his lifetime. No...he couldn't believe what his own eyes would show him if he strode along his "route" today!

Things are happening in the beautiful, naturally protected *Chessie Corridor*. Big events...things that

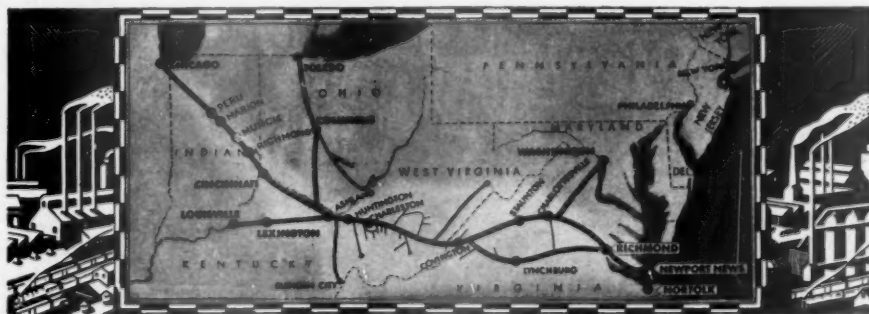
are shaping the industrial future of America. What they are—and *why* they are—should be common knowledge to every major executive.

FACTS...for the man who makes decisions

Information on this important area is now organized and available in a new 56-page book, you'll be proud to have in your library — "*The Chessie Corridor...Industry's Next Great Expansion Area.*"

This beautiful book is a graphic survey of the resources, conditions and opportunities which beckon Industry to *The Corridor*. Copies will be mailed to business executives requesting them from INDUSTRIAL

DEVELOPMENT SERVICE, Chesapeake and Ohio Lines, Huntington, W. Va. Your request will be kept strictly confidential.



THE CHESSIE CORRIDOR * Served by **CHESAPEAKE and OHIO LINES**

EVERYTHING IN STEEL

Ryerson carries the largest and most complete steel stocks in America . . . carbon steels, alloys, stainless, etc., in every size, shape and form . . . a ready, reliable source of supply.

CERTIFIED QUALITY

Ryerson Certified uniform high quality Steels meet exacting, narrow range specifications . . . an important advantage—especially with alloy steels where chemical content, heat-treating response and other characteristics must be known with certainty to assure best results in less time.

IMMEDIATE SHIPMENT

Fast delivery is assured from ten conveniently located Ryerson plants . . . no order too small for prompt, personal attention or too large for immediate shipment.



Joseph T. Ryerson & Son, Inc. Plants at: Chicago, Milwaukee, St. Louis, Cincinnati, Detroit, Buffalo, Cleveland, Boston, Philadelphia, Jersey City.

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WASHINGTON BULLETIN

FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

Straddle

F. D. R.'s "Mr. Knudsen-Hillman" is a split personality, however the President dodges the fact, and a split personality may not be the best agency for giving unified leadership to the task of arming the nation, but Washington is hopeful. How successful the Siamese-twin administration of the new Office of Production Management will turn out can only be proved by experience, but this much can be said: The association of Knudsen and Hillman on the defense job has been more agreeable than either expected.

The arrangement is, of course, a straddle adopted by Roosevelt primarily to placate and control the conflicting forces which management and labor bring to bear on the defense program—especially to placate and control labor. In addition, the new setup leaves the President holding the balance of power while freeing him from immediate executive direction.

• **Sidelight**—Leon Henderson, colleague of Knudsen and Hillman, points out, for whatever significance you want to attach to it, that both represent America's gain from immigration. Knudsen was born in Denmark, and Hillman in Lithuania.

Priorities Biggest Worry

While the job of establishing new defense routines will necessarily prove disturbing, business at least has the assurance that the same men will be running the show who have been running it in the past—men whom business has got to know and rely on.

Probably the most troublesome uncertainty is that into which the method of handling priorities is again plunged. The present priorities system is administered by a priorities committee within the Joint Army and Navy Munitions Board; it is purely voluntary, its preference ratings being simply guides to the manufacturer, although legal authority does exist for mandatory priority on U. S. defense orders.

Under an executive order and an order of the Council of National Defense this mandatory authority was vested last October in a Priorities Board set up within the Defense Commission. The board consisted of Knudsen, Stettinius, and Henderson. Policies determined by the board were to be enforced by Priorities Administrator Donald Nelson. After several months of travail, the board evolved a procedure and a set of regulations which had received Presi-

dential approval but were never officially promulgated.

Fresh Start Required

The new setup abolishes the old Priorities Board, the office of Priorities Administrator, and all their rules and regulations. A new start has to be made. Within the new OPM are two bodies concerned with priorities; a division of priorities, of which Stettinius is head, and a six-man Priorities Board headed also by Stettinius and including Knudsen, Hillman, Henderson, Nelson, and one still unappointed. The split-up of authority is somewhat different. The division is both the executor and the maker of priority policy, while the board is purely advisory.

Will Use Mandatory Power

New regulations will now have to be drafted, but the former regulations suggest the pattern which will probably be followed. There will be no formal system of mandatory priorities for the present, but instead the power of issuing mandatory priorities will be used to make the voluntary priorities mandatory in all but name. That is, if "voluntary" cooperation is not forthcoming on a particular order with a preference rating, a mandatory rating will be issued on that particular order. This can only be done, under the law, on orders issued by the Army, Navy, Coast Guard, Maritime Commission, Coast and Geodetic Survey, and National Advisory Committee for Aeronautics. Priorities on all other orders, from whatever source, will be truly voluntary.

Also likely to survive is a simplified system of extending ratings to subcontracts, by which only the countersignature of the government inspector in charge of the contract would be required.

British, U.S. Orders Same

Handling of priorities on British orders was still in controversy when the changeover was made, the major question being whether to establish a high, blanket rating for British orders or to treat them on a parity with U. S. orders. This question will be made obsolete when the U. S. assumes British orders, and in the interval chances are that reliance will be placed on the present informal advice to manufacturers not to pay too much attention to preference ratings if they conflict with filling British orders.

Strategy by Eccles

The President's "surprise" agreement to the orthodox, anti-inflation-money proposals of the Federal Reserve System (page 46) is the result of some neat Eccles strategy. The Federal Advisory Council, composed of 12 private bankers, was ready to issue a blistering attack on the New Deal's monetary policy before the election. At that time Eccles obtained Roosevelt's assurance that a feasible program would receive fair consideration by the Administration at this session of Congress if the "hot report" were withheld.

Since the Federal Reserve's proposals are likely to raise the interest cost of Treasury defense financing, there was some surprise that Morgenthau seemed to be assenting. But Treasury officials for several weeks have indicated privately their belief that something should be done to sell a large part of coming deficit securities to permanent investors in order to slow down the rapid rise of commercial bank deposits. Even the Treasury recognizes such action would require reestablishment of Federal Reserve control over the money market and elimination of the credit expansion possibilities of vast excess reserves.

Under Secretary of War

Creation of the new post of Under Secretary of War, which grew out of the Woodring-Louis Johnson feud, theoretically changes the setup of Army procurement, but likely will not have any important effect.

Under previous laws, responsibility for conducting the business affairs of the War Department was specifically vested in the Assistant Secretary. The new law vests all authority in the Secretary, who may now divide up the business side of the department between two subordinates. However, former Assistant Secretary Patterson has been made Under Secretary (higher than Assistant). When an Assistant Secretary is named, chances are he will be assigned a lot of rather routine duties while Patterson will retain procurement.

Fuel Oil and Defense

Defense Commissioner Harriet Elliott calls attention to recent rises in fuel oil prices in order to explain that the defense program isn't responsible. Increased demand for normal uses was the trade's opportunity, shortage of tankers has nothing to do with it, says she.

Should the situation become critical,

HEATING COMFORT IN MODERN BANK BUILDS CUSTOMER GOODWILL

Webster Moderator System Heats
Springfield Safe Deposit &
Trust Company Building

CONTROLS STEAM CIRCULATION

Provides Continuous Mild Heat
According to Need During
Periods of Mild Weather

MAXIMUM HEAT FOR COLD DAYS

Springfield, Mass.—The directors of the Springfield Safe Deposit & Trust Company selected a Webster Moderator System for the heating of their fine new building to give customers of the bank the advantages of modern controlled steam heating.

The results in terms of even, comfortable heating, customer good will and low heating cost have been completely satisfactory.

The Webster Moderator System has met every heating need in the Springfield Safe Deposit & Trust Co. Building during eight Massachusetts winters. It has assured maximum heat delivery from radiators during severely cold weather, as well as providing continuous mild heat according to need during periods of mild weather.

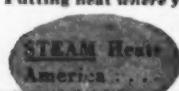
Steam for the heating of the building is supplied from the mains of the Springfield Gas Light Co.

The pneumatic-type Webster Central Control throttles the steam supply so that just the right amount of steam is delivered to assure comfort under the prevailing outdoor weather conditions.

Radiators in the building were equipped with the latest type Webster Thermo-static Radiator Traps and Webster "Three-Point" Supply Valves. In addition, 36 Webster Drip Traps were installed on main and riser drips.

The heating installation was made by The Holyoke Valve & Hydrant Co., of Holyoke, Mass. A. E. Freeman, of Boston, was the Consulting Engineer. The building was designed by Thomas M. James Co., Boston architectural firm.

Producing heat is only part of the heating job. Putting heat where you want it, when you want it, is the big job—the job modern Steam Heating does best. A folder tells why. Write for "STEAM Heats America."



©1940
WARREN WEBSTER & CO., Camden, N. J.
Pioneers of Vacuum System of Steam Heating
Representatives in 65 U. S. Cities—Est. 1883



Springfield Safe Deposit
& Trust Company Building
Springfield, Mass.

Miss Elliott suggests that tankers transferred to foreign registry could be recalled. Another solution (although Miss Elliott doesn't mention it) would be to permit Norwegian, Belgian, and Dutch tankers now in our harbors to operate in coastwise trade. In the last war Congress suspended the ban against coastwise operation as to all neutral ships.

Price Law Laid Down

This week's antitrust slate included a consent decree prohibiting price-fixing by manufacturers of electrical solderless connectors. Other industries should note, as the decree indicates the Justice Department's position regarding price-reporting activities:

"Defendants are restrained from reporting, collecting, auditing, compiling, disseminating or exchanging with any other manufacturer information concerning offers for sale, or concerning prices to be charged otherwise than in actually consummated sales and in bona fide contracts to sell, duly executed and unconditionally binding the seller to sell and the buyer to accept delivery at a certain price."

Grand jury investigation into alleged restraints of trade in the surgical-instrument industry is getting under way in Philadelphia.

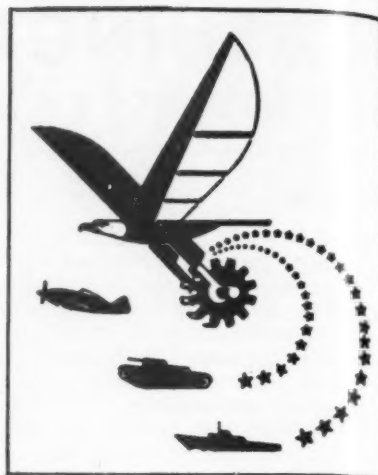
ICC Pipe-Line Rates

The Interstate Commerce Commission has cut crude oil pipe-line rates 13% to 55% on a finding that 8% is ample return on valuation (average return now is 14%). Apart from the doubtful practicality of basing rates on earnings of competitive companies, the order is noteworthy because this is the first time ICC has fixed pipe-line rates. It has had this authority since 1906.

Possibly the commission was afraid the Department of Justice would get the jump on it. It wouldn't have relished inquiry by a federal judge as to what it had been doing all these years. In three cases now in the works, the Justice Department claims that shipper-owners are not exempt from the Elkins Act prohibiting transportation rebates.

P. S.

No prayers for peace are in prospect in the Senate as the 77th Congress opens a fateful session. The chaplain of the Senate, Rev. ZeBarney T. Phillips, declared from his own pulpit (Episcopal) Dec. 29: "Defense is not enough . . . Aggression is high and holy . . ." SEC rules that its failure to notify security holders living outside U. S. doesn't jeopardize proceedings under the holding company law. Ruling comes in dismissing motion of Northern New England Co. and New England Public Service Co. to quash proceedings. . .



NEW EAGLE

Another bird is clawing for a perch in history beside NRA's Blue Eagle. Hatching planes, tanks, and trucks, the bird appeared without publicity recently on a pamphlet issued by the Defense Commission. It will probably be adopted as the Commission's official emblem, though that won't be finally decided until several other artists have submitted designs on which they are now working.



In cahoots with the Administrator of Export Control, the Commerce Department has set up a unit under supervision of Dr. A. E. Taylor for compilation of trade statistics by commodities and countries. Object is to have a single place where the official finger can instantly tap current data in deciding trade-control policy. . . . The railroads and the coal industry plus the rail unions and mine workers have protested to the Defense Commission against construction of new natural-gas pipe lines. More pipe lines, they argue, would require a large tonnage of steel and operation would curtail supply of coke, toluol, benzol, xylol, ammonia, tar, naphthalene, etalia, essential to national defense.

FIGURES OF THE WEEK

THE INDEX

PRODUCTION

	§ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Steel Ingot Operations (% of capacity).....	97.2	95.9	96.0	86.4	86.1
Automobile Production.....	76,690	81,295	124,790	51,975	87,510
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$20,311	\$16,852	\$15,486	\$11,339	\$9,558
Electric Power Output (million kilowatt-hours).....	2,705	2,623	2,838	2,265	2,473
Crude Oil (daily average, 1,000 bbls.).....	3,367	3,386	3,613	3,602	3,584
Bituminous Coal (daily average, 1,000 tons).....	1,547	†1,645	1,690	1,355	1,672

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	75	†74	80	76	69
All Other Carloadings (daily average, 1,000 cars).....	42	42	47	49	43
Check Payments (outside N. Y. City, millions).....	\$5,667	\$5,031	\$5,247	\$5,272	\$5,605
Money in Circulation (Wednesday series, millions).....	\$8,733	\$8,817	\$8,569	\$7,924	\$7,581
Department Store Sales (change from same week of preceding year).....	+59%	+7%	+6%	+5%	+8%

PRICES (Average for the week)

Business Week-Annalist Cyclical Commodity Index.....	82.92	81.95	82.38	70.91	82.02
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	172.8	170.9	168.6	156.5	168.1
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100).....	121.7	120.9	122.0	111.9	128.1
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100).....	127.6	†126.3	122.2	114.7	121.7
Iron and Steel Composite (Steel, ton).....	\$38.47	\$38.43	\$38.18	\$37.72	\$37.09
Scrap Steel Composite (Iron Age, ton).....	\$22.00	\$21.83	\$21.33	\$18.71	\$17.67
Copper (electrolytic, Connecticut Valley, lb.).....	12.042¢	12.015¢	12.029¢	10.835¢	12.500¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.86	\$0.83	\$0.85	\$0.72	\$1.04
Sugar (raw, delivered New York, lb.).....	2.91¢	2.91¢	2.90¢	2.70¢	2.81¢
Cotton (middling, ten designated markets, lb.).....	10.09¢	9.96¢	9.89¢	10.45¢	11.01¢
Rubber (ribbed smoked sheets, New York, lb.).....	20.63¢	20.63¢	21.00¢	20.72¢	19.36¢

FINANCE

90 Stocks, Price Index (Standard Statistics).....	84.9	83.4	84.1	79.0	100.4
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.42%	4.43%	4.46%	4.84%	4.82%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	1.92%	1.88%	1.92%	2.29%	2.28%
U. S. Treasury 3-to-5 year Note Yield.....	0.40%	0.37%	0.34%	0.61%	0.44%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	4-½%	4-½%	4-½%	4-½%	4-½%

BANKING (Millions of dollars)

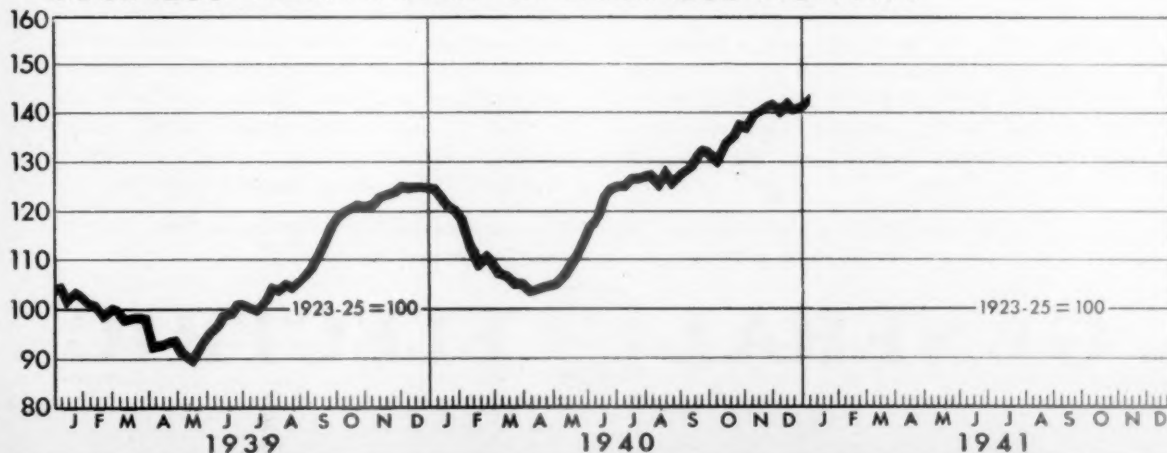
Demand Deposits Adjusted, reporting member banks.....	22,299	22,382	22,131	20,510	18,566
Total Loans and Investments, reporting member banks.....	25,527	25,604	25,053	23,586	23,087
Commercial and Agricultural Loans, reporting member banks.....	5,018	†5,011	4,942	4,438	4,353
Securities Loans, reporting member banks.....	1,049	1,011	911	851	1,204
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	12,462	12,568	12,307	11,607	11,115
Other Securities Held, reporting member banks.....	3,675	3,682	3,584	3,517	3,298
Excess Reserves, all member banks (Wednesday series).....	6,620	6,440	6,820	6,812	5,271
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,274	2,336	2,266	2,503	2,564

° Preliminary, week ended January 4th.

† Revised.

§ Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY





“Hurry Up Now! Pa’s Waiting!”

THE kitchen stove used to feel pretty good on a winter’s Saturday night when the thermometer was down around zero. So did the heated flat-iron in the foot of the bed. But how many of us would trade the comfort and privacy of our modern, heated bathrooms for the cramped discomfort of the wooden tub and the sting of the home-made soap? And who wants to lug out the water afterward and mop up the kitchen floor?

There are a lot more of today’s home conveniences that we wouldn’t trade for their counterparts of the “good old days.” The electric washer, for instance, for the scrubbing board; the electric light for the messy coal-oil lamp; the furnace for the parlor base-burner.

Most of us are incomparably richer than the people of a generation ago—not so much in money, perhaps, but in the things our money will buy. And in most cases these are the products of American industry—manufactured articles that have been developed by industry, improved, made less and less expensive so that more millions of people can afford to own them.

In almost every manufacturing improvement that has made this progress possible, electricity has played a vital part. And the scientists, engineers, and workmen of General Electric, who have done so much to make electricity more useful, are still seeking ways for electricity to help in the creation of More Goods for More People at Less Cost.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

GENERAL ELECTRIC

ME-11821

THE OUTLOOK

Budget Forecasts Defense Pace

Shows you can count on a steadily accelerating rate of arms expenditure for many months, indicates government will be cautious about boosting taxes faster than profits.

The business news this week was made in Washington. President Roosevelt's state-of-the-union message to Congress did not add materially to what already had been known about his intentions to lend all possible aid to Britain. But the budget on Wednesday was more particular, offering as it did some dollar details on expenditures.

• **Acceleration**—During the fiscal year ending June 30, 1942, Mr. Roosevelt plans (or hopes) to spend \$10,811,000,000 on national defense. That is at the rate of \$900,000,000 a month, or twice the current outlay of about \$400,000,000 monthly (BW—Dec. 28'40, p13). But the full meaning of those figures is not to be obtained from their relative size. Far more important is the fact that over the coming months government expenditures on defense will continue to accelerate. The peak has not been reached—far from it. And at some time before June, 1942, monthly outlays on armaments will easily top the billion dollar mark.

Defense accounts for the entire deficit for the 1941 and 1942 fiscal years, and then some. The arms industry not only succeeds relief as the pump-priming force in American economic life but, as the following table shows, it has reshaped the federal budget:

	1942 Est.	1941 Est.	1940 Actual
(In millions; years ended June 30)			
RECEIPTS			
Corp. Income Tax...	\$ 2,839	\$ 1,745	\$1,118
Indiv. Inc. Tax....	1,979	1,571	1,252
Customs, Excise, etc.	2,756	2,657	2,215
Other	701	1,040	802
Total Receipts	\$ 8,275	\$ 7,013	\$5,387

EXPENDITURES			
National Defense...	\$10,811	\$ 6,464	\$1,580
War	3,447	2,136	892
Navy	5,957	3,846	667
Other Agencies	407	382	21
Supplemental	1,000	100	..
Agricultural Aids...	1,062	791*	1,375
Aids to Youth.....	363	369	378
Work Relief.....	1,034	1,477	1,861
Interest	1,225	1,100	1,041
Other	2,990	3,001	2,763
Total Expend.	\$17,485	\$13,202	\$8,998
DEFICIT	\$9,210	\$6,189	\$3,611

* Gross expenditure \$1,106,000,000 less credits \$315,000,000.

It is quite possible that the deficit estimate for the 1942 fiscal year may be too high. In line with President Roosevelt's request for a "financial pol-

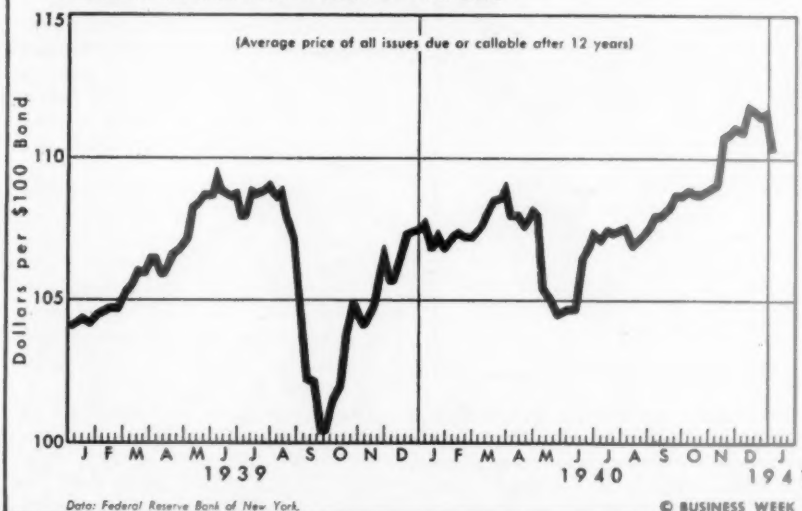
icy aimed at collecting progressive taxes out of a higher level of national income," rates will go up again at this session of Congress, and will apply to income in the 1941 calendar year. The added revenues thus derived would show up in receipts for the second half of the 1942 fiscal year and would reduce the estimated excess of outgo over income. And there is always the question whether the Administration can do as much spending as the budget suggests. In the past, outlays have seldom kept pace with the government's budget bogeys. If national-defense actualities

lag behind the time-table, the expense side of the budget would be "over-enthusiastic," and the estimated deficit would be exaggerated accordingly.

• **Future of Profits**—Even though the President was emphatic in saying that "no citizen should make any abnormal net profit out of national defense," this was by no means tantamount to meaning that corporation profits will not tend to rise as the volume of business advances. It is conceivable, of course, that defense taxes could rise faster than profit margins on the increased volume of business, and thus cut down net corporation income. But a boost in taxes that drastic is unlikely; it would have the effect of stifling incentive to produce, something the President was careful to insist he did not want.

• **Pay-As-You-Go**—Indeed, the chief reason the President is opposed to a pay-as-you-go financial program is that it would result in decreased production.

IN THE OUTLOOK: GOVERNMENT BOND PRICES



As was to be expected, government bonds did not take too kindly to the proposals of the Federal Reserve System to tighten controls over member banks' lending powers (page 46). Banks, being the largest holders of governments, shy away from any attempt to cramp their capacity to extend credit; and their reflex action is to sell government bonds. However, the decline in prices was not nearly as severe as in September, 1939, when war broke out in Europe. Banks, apparently, have become reconciled to

the idea that government bonds will continue to constitute a large proportion of their earnings assets for a long time to come; therefore, they see no point in liquidating governments in a panic at the slightest suggestion of hardening interest rates. In the past, after such liquidation, they've had to buy their holdings back at higher prices. Yet, if the Reserve's ideas of credit control are ratified by Congress, the bull market in bonds may be over—at least for the duration of the defense program and its debt increase.

NEW DEFENSE BUSINESS

Precise measure of the extent to which the defense program has stimulated industrial construction was provided last week by the War Department's announcement that 212 firms have applied for special tax privileges allowable under the Second Revenue Act of 1940 for five-year amortization of defense plants.

This week's major contracts were for further plant construction:

Construction and expansion of plants producing airplane engines and parts—North American Aviation of Inglewood, Calif., \$2,270,405; Fairchild Engine & Airplane of Farmingdale, N. Y., \$1,478,800; Studebaker Corp. of South Bend, Ind., \$36,799,300 (also awarded \$33,657,580 contract for engines); Buick Motor of Grand Blanc Township, Mich., \$24,313,150; Ex-Cell-O Corp. of Detroit, \$1,669,678.

In addition, General Electric was awarded a contract for construction of a \$5,873,800 Turbo Supercharger plant at Everett, Mass.; Remington Arms will have a \$102,249,880 small arms ammunition plant at Denver. The government will also build an anhydrous ammonia plant (\$11,132,440) at West Henderson, Ky., to be operated by Solvay Process Co. and a bag loading plant (\$13,899,541) at Charlestown, Ind., to be operated by Goodyear in conjunction with du Pont's smokeless-powder plant, which was also awarded an additional \$23,000,000 for expansion (BW—Nov. 2'40,p26).

This means, of course, that deficit financing is still the keystone of government fiscal policy, and that the national debt will continue to increase. The \$49,000,000,000 debt limit no longer is sufficient to encompass the government's needs, and once again Congress will have to raise it. Indeed, the President questioned rather adroitly the significance of a formal debt limit by pointing out that Congress "by making appropriations and levying taxes controls the size of the debt limit" automatically. The suggestion is that the debt limit ought to be expunged from the statute books.

All in all, the budget re-emphasizes that national defense is the dominant force shaping the course of business. And the important thing to watch from now on is the rate of acceleration in defense outlays. For at some time in

the future—in the next 12 to 18 months perhaps—defense outlays may reach a peak and begin tapering off. At that point, though industrial activity might still remain at a high level for some time, the stage would be set for economic contraction.

Rubber Speedup

Spurred by defense plans, the industry gets ready for biggest production drive in its history. Crude stockpiles mount.

Under the impetus of the national defense program, the rubber industry is getting ready for the greatest productive effort in its history.

Deliveries on government contracts awarded during the past six months will start rolling in swelling volume during the first quarter of 1941, while anticipated new orders give promise that present high production will continue.

Trade observers estimate that national-defense items, direct and indirect, may account for as much as 15% to 20% of the industry's total sales this year.

• **Year-End Figure**—Prime contracts to the "Big Four" alone—Goodyear, Goodrich, Firestone, and United States Rubber—approached the \$25,000,000 mark at the year end. The value of sub-contracts for tires and mechanical rubber goods of all kinds to equip military vehicles well exceeded that figure, it is believed.

Apart from the direct orders—bullet-sealing tire tubes, self-sealing airplane fuel tanks, gas masks, airplane de-icers, inflatable rubber boats, rubber tracks and tread blocks for crawler-type military tanks and scout cars, rubber hose, and other items—the industry already is feeling the effect of defense-stimulated activity in other industries.

The only potential bottleneck on the rubber horizon is the ability to obtain crude rubber, the nation's largest single import, 97% of which comes from the Far East. In 1940, America's consumption of crude hit a new high of about 615,000 long tons, a gain of roughly 4% over 1939. Net imports rose from 486,348 long tons in 1939 to an estimated 805,000 long tons in 1940.

• **Fears Are Lessened**—The mounting government stockpiles of rubber, acquired under the rubber-cotton barter agreement with England and by the Rubber Reserve Corp., are tending to lessen apprehension, although the situation might be acute in a sudden emergency.

Meanwhile, considerable secrecy surrounds future plans for the production of synthetic rubbers, such as du Pont's Neoprene, Goodrich's Ameripol, Good-

year's Chemigum, Standard Oil's Butyl, and various Buna-type rubbers because of the unknown quantity of government assistance in setting up productive capacity.

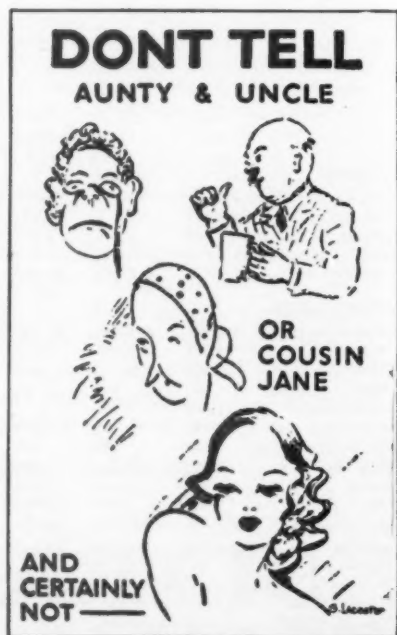
• **Synthetics Stepped Up**—By late fall the synthetic makers will have stepped up their capacity to some 20,000 long tons annually, compared with capacity at the end of last year of about half that figure. An RFC loan of \$25,000,000 to \$50,000,000 to develop synthetic manufacture is in the planning stage at Washington, capital sources indicate.

Synthetics undoubtedly will play an increasingly important rôle during 1941. It is expected that rubber consumption will be swelled by another 5% to a total of 645,000 to 650,000 long tons this year. Of that total, synthetics may account for 8,000 to 10,000 long tons, compared with 1,700 consumed in 1939 and perhaps twice that amount in 1940.

MAKING UP FOR LOST TIME

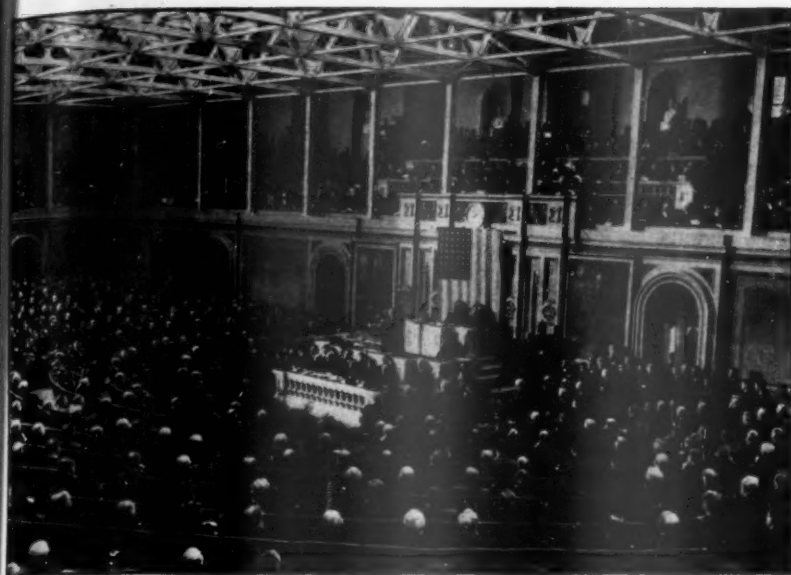
Another strike settlement was credited to national defense last week, when workers at the Berwick (Pa.) plant of the American Car & Foundry Co.—where production is being pushed on Army tanks—not only voted to return to work after a walkout of only eight hours, but offered to make up the time lost without overtime pay.

Union officials said the 2,800 men had voted to make up the time by working extra hours during the week or by working on a Saturday. Issues causing the strike—"violations of seniority regulations" and the presence of a non-union worker in one department—were submitted to arbitration.



Washington gets its first spy warning from new War Department posters.

Business Week • January 11, 1941



The first session of the 77th Congress receives the President's address in a House of Representatives still undergoing repairs (note the girders).

Though Congress approved his general objectives, it found little light in the message on how any specific objectives could be achieved.

Congress Awaits Blueprint

President's "war platform" will be accepted, despite partisan reaction, but details are still lacking and implications of some points raise concern.

Still dazed by the scope of the President's plans for smashing the dictators and by his hints of another League of Nations after that, Congress continued to wait this week for tangible legislative proposals. As far as Congress is concerned, it may well be true that the nation's hands must not be tied in the emergency, but nevertheless on at least half a dozen points, the legislators seek additional clarification:

(1) The scope of our own arms program and of aid to the British, both of which will be pushed to the limit of industry's capacity to produce.

(2) The division of arms as between our own Army and Navy and the British.

(3) The size of the tax program which the President is putting up to Congress; only recommendations in his message were that it be based on ability to pay and that nobody be allowed to get rich out of the country's defense.

(4) The consequences of raising the roof on the public debt which, he says, is, after all, only a fiscal monitor—and doesn't make any difference.

(5) His assumption that war may come upon us at any time without any declaration by Congress, der Fuehrer, or the Mikado.

(6) The grave implications in any

policy which is guided by the President's assertion that the United States will not acquiesce in a peace dictated by aggressors and sponsored by appeasers. If that's Uncle Sam's ticket, we are going for a ride. This can only mean that whether or not England successfully resists invasion the war will have only begun.

• **Not Unanimous**—As Mrs. Roosevelt observed in her Tuesday press conference, there was something less than non-partisan unity on the President's declaration of what Senator Vandenberg characterizes as war-by-proxy. F.D.R. will be tickled pink if authorization to give the British aid and determination of the extent of that aid are simply vested in the Army and Navy, of which he is commander-in-chief. On this score and this score only is he worried about what Congress may do about his war plank.

The press was cautioned in official quarters this week not to go out on a limb concerning possible creation of a government corporation to handle the detail of the replacement-in-kind arrangement with the British. It was expected that legislative authorization of this arrangement will take shape as an amendment to the Pittman Act of May 28, 1940, which authorizes manufacture and sale to South American republics of

ships and munitions. The Secretaries of War and Navy would be empowered to lend or lease war equipment with some formal provision for repayment within a reasonable time, either in kind or in goods which are produced by nations so aided and which are needed by this country.

• **Short-Circuiting Isolationists**—The expectation is that this legislation will be routed through the banking committees rather than the foreign affairs committees of the House and Senate because the Senate Foreign Relations Committee has a strong, though still outnumbered, non-intervention bloc.

Roosevelt has put no limit on the size of the defense program or aid to Britain, Greece, and China except physical capacity to produce. "No one can predict the ultimate cost of a program that is still in development for no one can define the future."

• **Purely Nominal**—Hence his \$17,485,000,000 budget, of which \$10,811,000,000 is for defense (page 13), is only a nominal total. Today's paper work will be tossed in the scrap basket by the time the next fiscal year dawns July 1, even if on that date we are still "short of war."

Now, for the first time, the magnitude of national defense is indicated. For the fiscal years 1940, 1941, and 1942, appropriations, authorizations, and recommendations aggregate \$28,480,000,000. The President doesn't think that any program of this size should be put on a pay-as-you-go basis because he fears that this might interfere with the full use of the nation's productive capacity. He can't yet conceive the complete measure of extraordinary taxes which will be necessary to pay off the cost of defense and—mark this—to aid in avoiding inflationary price rises which may occur when full capacity is approached.

• **Ordinary Expenses Cut**—The President estimates the 1942 fiscal year's net revenue at \$8,275,000,000 on the present tax base and pridefully points, incidentally, to the fact that this is \$1,600,000,000 larger than the budget for non-defense activities. This "ordinary" budget is cut to \$6,674,000,000 from \$7,078,000,000 this year principally by reductions of \$400,000,000 in WPA (to \$995,000,000), \$67,000,000 in public works, \$45,000,000 in farm programs. The Administration expects to cash in on the rise in the national income level which in the next fiscal year is roughly calculated at \$86,000,000,000.

The icing on the cake of the stupendous arms program is the President's dream of world disarmament. Somebody has figured to Roosevelt's satisfaction that the deficits of all nations big and little during the past eight years are equivalent to their arms expenditures; so disarmament is the simple key to world solvency. But that has nothing to do with the budget for 1941-42.

Signing Required

Supreme Court holds, in Heinz case, that refusal to endorse written contract is breach of federal labor law.

This week's Supreme Court ruling in *NLRB vs. H. J. Heinz Co.* gives organized labor more legal power than it has ever had before. The decision was immediately hailed as the most important one affecting labor relations since the *Associated Press and Jones & Laughlin Steel Co.* cases in 1937, in which the high court upheld the constitutionality of the Wagner Act.

The Heinz Co., famous for its 57 varieties, appealed a Labor Board order on three counts. It petitioned the Supreme Court to review: (1) NLRB findings that the company was guilty of unfair labor practices; (2) a charge that the board had exceeded its authority in ordering disestablishment of a labor union in which the company was said to have been interested; and (3) an NLRB decision that the company's refusal to join

with representatives of an A.F.L. labor organization authorized to represent its employees in signing a contract constituted a refusal to bargain collectively.

• **Board Wins on All Counts**—Without dissent (but with Justice McReynolds not participating), the Supreme Court upheld the board on all three counts.

Justice Stone, who delivered the decision, said:

"Refusal to sign an agreement reached is a refusal to bargain collectively and an unfair labor practice. It is true that the National Labor Relations Act, while requiring the employer to bargain collectively, does not compel him to enter into an agreement. But it does not follow that having reached an agreement he can refuse to sign it because he has never agreed to sign one. He may never have agreed to bargain but the statute requires him to do so—to that extent his freedom is restricted in order to secure the legislative objective of collective bargaining as the means of curtailing labor disputes affecting interstate commerce."

• **Freedom Defined**—"The freedom of the employer to refuse to make an agreement," Stone concluded, "relates to its terms in matters of substance and not, once it is reached, to its expression in a signed contract the absence of which, as experience has shown, tends to frustrate the end sought by the requirement for collective bargaining."

Lawyers studying Stone's words thought of the "Little Steel" strike of 1937 as an example of a dispute involving an employer's refusal to sign a contract. One of the parties in that strike, Inland Steel, has a case pending which parallels Heinz. On the basis of this week's decision, Inland and C.I.O.'s Steel Workers Organizing Committee are expected to enter a written pact.

Shipping Story

Grady's new job, plan for U.S. operation of British lines, and building program add up to something big.

A former Assistant Secretary of State became president of one of the biggest West Coast shipping companies last week.

A London embassy attaché was winging his way home across the Atlantic to "talk ships" with Washington officials.

A little group of shipping engineers who had been nosing around rotting World War shipyards in this country held a long conference with the Maritime Commission.

Individually, each of these bits of information made news of interest to the shipping world; pieced together, they rounded out into what may yet be the year's No. 1 shipping story.

• **"An Excellent Choice"**—When Henry F. Grady, Assistant Secretary of State until the end of last year, resigned to become president of the American President Lines—government-owned successor to the Dollar interests, San Francisco shipping bigwigs agreed that as political appointments go Dr. Grady was an excellent choice. He is a native of San Francisco, affable, capable, and thoroughly familiar with Washington politicians who from time to time might try to stick their fingers into the West Coast shipping pie.

He is taking over at a time when the American President Lines are doing a lot of business, making a profit which California Street's shipping crowd in San Francisco estimated would top \$4,000,000 for 1940. He has had little or no practical shipping experience but he knows foreign trade (long-time Tariff Commission head), he knows the British (chief of the American group which negotiated the famed British-American reciprocal trade agreement—biggest in the whole Hull program), and he knows the shipping crowd on both coasts.

• **A Plan Arrives by Plane**—What set tongues wagging in every shipping office in the country was the announcement, almost simultaneously with the Grady appointment, that Harvey Klemmer, for a long time the Maritime Commission's special agent in the American



TRAFFIC ON THE TENNESSEE

A recent shipment of 130 Plymouth cars added a new product to the increasing volume of traffic on the Tennessee River. The automobiles were first moved from the Detroit area, by truck, to Evansville, Ind.; there hoisted by derrick to a three-decker barge, which took them on a 500-mile trip down the Ohio and Tennessee Rivers to Guntersville, Ala., where they were unloaded for distribution to points in Alabama and Georgia.

It's a far cry from the days when only sand and gravel were hauled on the Tennessee. Development of the river has started downstream shipments of coal. Pig-iron shipments from Birmingham are again moving out of the valley down the river. Oil and grain terminals are being built on the shores, and a uniform system of terminals is planned (BW—May 25 '40, p. 32). In one year there were 70,700,000 ton-miles of commerce, as compared with 22,482,000 ton-miles when development began in 1938.



A San Franciscan returns to San Francisco, as Henry Grady, former Assistant Secretary of State, becomes head of the American President Lines.

embassy in London, was flying home from Europe with a big plan to turn over temporarily to American ship operators a number of the British shipping lines in the Far East so as to free British vessels for urgently-needed convoy service in the busy North Atlantic run which has become Britain's real lifeline in this war.

It didn't take long for the steamship operators to decide that there was a definite connection between the Grady shift and the Klemmer mission. If any of Britain's Far Eastern shipping routes are to be operated by the United States, the American President Lines are in an admirable position to handle at least a part of the job.

• **Prefabricated Cargo Ships**—The belief that Britain and the United States are developing a long-term program for close shipping cooperation was further boosted when the President announced a plan for the construction of 200 prefabricated cargo ships on a mass production basis patterned after the great Hog Island project of the last war. The new scheme, the President estimates, will cost between \$300,000,000 and \$350,000,000; \$36,000,000 has already been appropriated from his special defense fund to start getting the necessary new yards under way.

All of the ships will be built after a single pattern, and practically all of the work will be done at the steel mills. The ships will be somewhat smaller than the 60 cargo vessels which the Todd Shipbuilding Corp. (BW—Dec. 21'40, p42) has contracted to construct for the British in this country in the next 12 months, but will have an estimated speed of 14-15 knots, compared

with the 10-11 knots of most of the 2,500 freighters produced by the American International Shipbuilding Corp. during the World War emergency program.

• **Yards Are Surveyed**—Where the 200 prefabricated ships will be built will not be known until the President and the Maritime Commission have had time to consider the recommendations of engineers who have been surveying yards abandoned after the last war.

Known to have been inspected were the old Newburgh Shipyards 60 miles up the Hudson from New York, the Standard Shipbuilding Co., at Shooter's Island, N. Y., and the Submarine Boat Corp. property at Port Newark where 28 ways were in operation during the last war in one of the largest projects outside of Hog Island (50 ways).

Coal-Pit Flareup

Pennsylvania bootleggers balk legal strip mining, and so same old problem is left on anthracite industry's hands.

Influence of the stolen-coal empire was forcefully demonstrated in recent weeks when bootleggers halted stripping operations in several areas near Pottsville and Shamokin, Pa.

Firearms and dynamite played their part in an episode at Bear Valley, outside Shamokin, and municipal officials apparently shut their eyes while 700 free-lance miners seized \$76,000 worth of machinery and moved it a mile from a tract where an owner had intended to conduct legitimate mining.

• **Here Are the Issues**—In consequence, a problem that has plagued the anthracite industry since the depression is more complicated than ever. The free lancers contend stripping operations would interfere with possible reopening of closed collieries and reemployment of men, but owners say the realization that stripping will end bootlegging is the real reason for the opposition.

In Heckscherville Valley, practically the entire village turned out to block a steam shovel proceeding to stripping operations on property of Philadelphia Coal & Iron Co.

• **Outsiders Are Blamed**—In the Bear Valley incident, free lancers said their livelihood was at stake. One hundred and four free lancers have been doing deep mining on the Greenough Tract with permission of the owner. Recently the owner hired 80 union men for stripping work. When the free lancers forced the removal of the machinery, the owner said the men on his tract were satisfied, but that trouble was started by outsiders. Sixteen cases of dynamite were brought to the tract,

according to the owner, and a shovel runner was forced to move his equipment "when a gun was stuck in his ribs."

Next day the free lancers rejected an oral agreement to allow strip operations, but authorized drafting of a written agreement to provide that men working on the Greenough Tract will not be forced out and that those working in sections which interfered with strip operations would get "legal leases at suitable spots" nearby. The men on the tract were willing to pay the owner from 20¢ to 40¢ a ton on the coal.

• **New Remedy Suggested**—Many plans to terminate the stolen-coal evil have fallen by the wayside (BW—Mar. 23'40, p25), but now another suggestion is advanced by those seeking a remedy.

Program is to have officials of the Anthracite Allocation Plan, which weekly allocates tonnage for old-line and independent companies increase weekly production in the hope of absorbing bootleggers in legitimate mining. Weekly allocation is made through a voluntary arrangement sponsored by operators and miners and worked out by these two agencies and several state officials, representing the public (BW—Feb. 3'40, p18). During the winter the weekly allocation varies from 720,000 to 960,000 tons. By boosting the production and thus permitting operation of closed units, sponsors believe many of the bootleggers will be lawfully employed.

• **Non-Conformists**—Many operators, however, contend allocation has one basic fault. They say it helps those who



G.M. PRESIDENT

Charles E. Wilson, executive vice-president of General Motors, was this week elected president of the corporation. Mr. Wilson, who has been with G.M. since 1919, has been acting president since William S. Knudsen was called to Washington to serve on the Defense Commission last spring.

do not adhere to it more than it does those who do. The non-conformer takes more and more of the available market while the conformer must continually restrict his production to take only his share of what is left.

The average working time of signatories to the plan was 170 days last year. In 1939, it was 191 days. The bootleggers and semi-legitimate operators outside the plan have been working five and six days a week. Operators believe legislation may be required to regulate tonnage of producers outside the plan who are not actually bootleggers.

Downtown Upturn

Oakland association lists achievements which have arrested decentralization trend and restored property values.

Early in 1940, there were signs of awakening business interest in drastic face-lifting operations that might arrest a trend toward decentralization which in most U. S. cities was leaving old-time business centers in a state of dry rot (BW—Jul. 6 '40, p. 34).

Recently in Oakland, Calif., directors of the Downtown Property Owners Association reported results of an eight-year effort at rejuvenation of the 20 blocks of the "downtown area."

• **The Balance Sheet**—Oakland lists these achievements, of interest to all cities facing similar jobs: (1) completion of 34 major modernization jobs in which old, unsightly, practically idle buildings have been transformed into more modern structures and the percentage of building occupancy for the area raised from 82% in 1931 to 95%; (2) complete overhauling of tax assessments and valuation, and adoption by the city of a method based on property income and value as of today; (3) adjustment of mass transportation facilities and routes to avoid traffic and pedestrian congestion; (4) installation of adequate parking areas free to shoppers, whether or not they make purchases at the stores; (5) reduction of traffic hazards, which has resulted during the last six months in an improved safety rating; (6) enactment and enforcement of ordinances governing curb parking, which have resulted in a daily "turnover" of 13½ cars in a given curb parking space and elimination of the "curb sleeper"; (7) removal of certain zoning restrictions in decaying fringe areas surrounding the shopping center and thus enabling property owners to transform ancient houses into modern apartments, thereby creating new buying power in the area.

• **Stemming the Tide**—All this, according to Oakland merchants in the re-

juvenated section, has stemmed the decentralization tide.

The situation in Oakland dates from establishment, some nine years ago, of an "uptown" shopping district about eight blocks north of 12th and Broadway, then the center of the "downtown" section. Several San Francisco stores also opened Oakland branches there, and the new district began to grow. Aggressive promoters for the uptown shopping section began raiding the downtown district for store tenants, emphasizing that downtown property owners had done practically nothing to improve the older buildings, which were architecturally outmoded. It soon became apparent that if the decentralization problem could not be licked, the downtown district would become an area of greatly depreciated property values.

• **Association Organized**—In September, 1931, a group of business leaders and

downtown property owners organized the Downtown Property Owners Association. A manager was engaged and a war chest of approximately \$150,000 was raised. In reaching many objectives, leadership was assumed by the association, and in other phases of the program it cooperated with two closely-affiliated organizations — the Downtown Merchants Association and the Downtown Merchants Parking Association. These three associations use the same suite of offices. The association's biggest job has been tax adjustment. The cooperation of county officials was a great help. Tax experts were employed by the association to make exhaustive surveys of public budgets, also of rental income from business properties in various parts of the county.

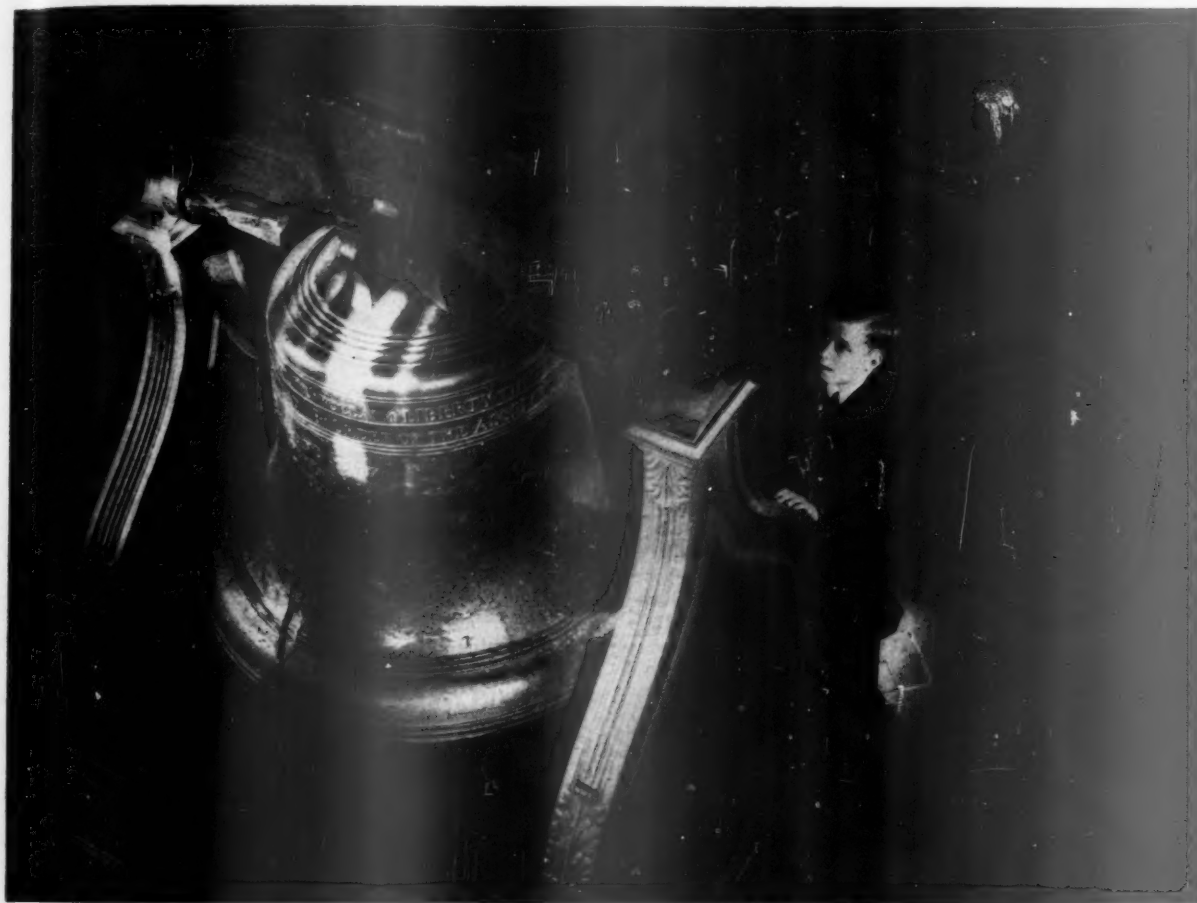
• **Viewing the Whole Problem**—In order to equalize assessments, the downtown district was considered as a whole,



Before and after: With modernization jobs like this, Oakland has arrested the trend of decentralization from its old-time business center.



"Unforeseen events . . . need not change and shape the course of man's affairs"



NOT TO BE MELTED . . .

Too often, when new guns appear above a nation's ramparts, the symbols of its liberty quietly disappear. But our most cherished symbol of a free America—the Liberty Bell—will not be melted down. Nor will other marks of our civilization . . . our bronze monuments . . . fireplace irons . . . millions of automobiles . . . be melted into guns and shells.

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The builders of tanks, planes and other defense equipment are provided with bonds which guarantee fulfillment of contracts. The Maryland aids further by writing many other insurance coverages extending protection to industries which are forging the tools of our defense. Maryland Casualty Company, Baltimore.

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rather than as individual properties. To arrive at a fair assessment, the income of the property was taken into consideration, as well as its present valuation. Facts and figures were assembled to prove to the assessor that downtown assessments were too high, and recommendations were made to public officials. As a result, the association obtained an equalization in downtown property assessments which resulted in a large saving to owners and merchants.

An advertising and promotion effort for the district, calling attention to its advantages, has been carried on by Tomaschke-Elliott, Inc., Oakland advertising agency.

• **Management Angle**—According to association members, an important factor in the success of the program has been the selection of the right managers. Originally, because the desired modernization of obsolete buildings would be governed by building codes and other existing ordinances, it was felt that the manager should have a thorough knowledge of the workings of city and county government. For this reason Harold Weber, who was then secretary to the mayor, was selected. When he became general manager of the Oakland Chamber of Commerce two years ago, he was succeeded by the present manager, Dudley A. Frost.



This is one of six parking areas operated by the Downtown Merchants Parking Association, as part of the cooperative effort at rejuvenating the downtown district of Oakland, Calif. Parking is free for two hours to prospective customers of downtown stores. As they drive in the entrance, they get a ticket telling when their two-hour period will expire. An operator in a control tower directs new-

NATIONAL DEFENSE

Subcontracting

Industrial farming-out is old stuff to the Treckers, whose job it is to speed defense by splitting up the work.

Subcontracting, or the farming-out process, in industry has been vital in Britain's war effort (BW—Nov. 2 '40, p58). In the United States, two brothers who have been singularly successful in applying the order-splitting technique in private business have been called as dollar-a-year men by the government to speed defense production by enlisting every available plant. To the Treckers, Joseph L. and Francis, the attention now focused on this kind of industrial coordination is rather surprising, for the idea is definitely old-hat to them—and all in the day's work.

• **Feast vs. Famine**—Kearney & Trecker Corp. of Milwaukee—cited by Business Week more than a month ago as the most notable example of subcontracting

in the machine-tool field (BW—Dec. 7 '40, p17)—long ago proved to its satisfaction that boom-time expansion brings slump-time trouble.

Traditionally, therefore, whenever demand for its milling machines outran plant capacity, the firm found other shops willing and competent to make some of the less critical parts on idle equipment. Conversely, whenever milling machines were a drug on the market, K.&T. scratched for miscellaneous metal-working contracts to keep their shop going. They have thus turned a hand to everything from electrical equipment to plate-glass machinery.

• **Orders Outrun Expansion**—Four years ago K.&T.'s plant employed 500-odd men, was working to 24-hour capacity, and had a few sub-contracts outstanding. The export demand for millers was too strong to laugh off. So the firm violated its rule against expansion, ran up a new building—and has been continuously adding buildings and equipment ever since. A year ago the payroll had 1,400 men, today it has 3,200. But the backlog is thicker than ever.

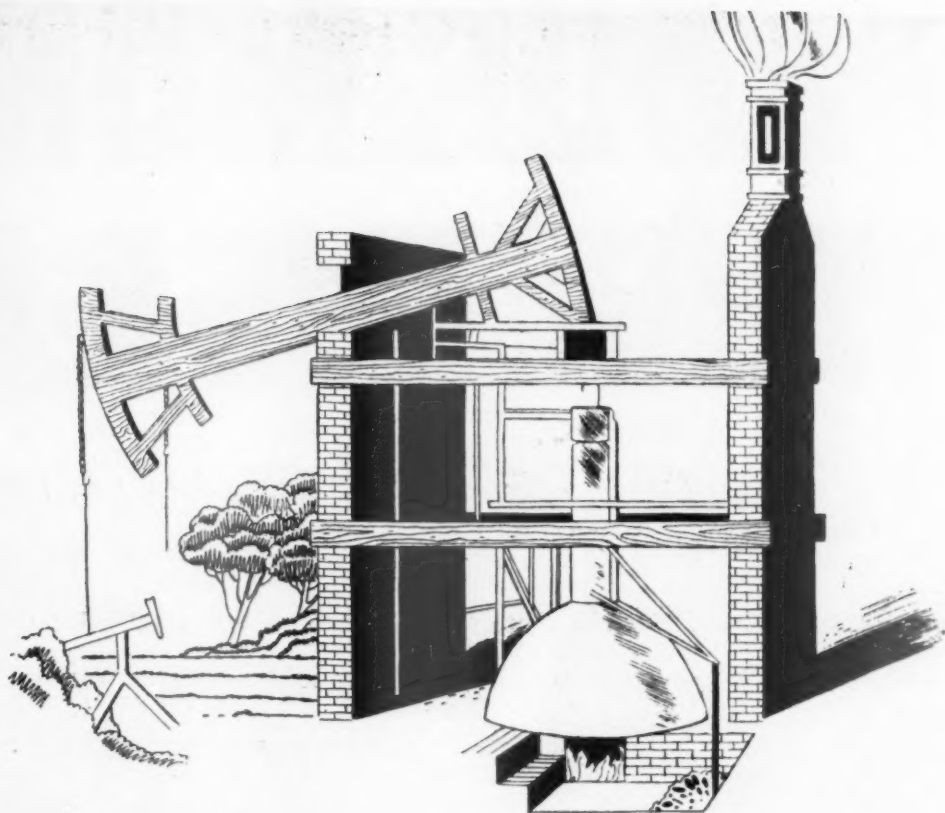
• **Farming Out 40%**—Inevitably, this pressure for production turned K.&T. to subcontracting in an even bigger way. Size of the operation forced the management 16 months ago to develop a subcontracting department, which Francis Trecker headed until shortly before he moved to Washington. This unit has direct supervision over the 70 to 80 metal-working shops that are today producing 30% of the company's total output—not counting a dozen or so foundries.

Within a month or six weeks the subcontractors will be producing 40%, as they get used to the work, and within six months a much larger proportion. "We don't know what the limit of usefulness of subcontractors is," explains Joe Trecker. "We intend to keep on farming out work as long as we need capacity and can find shops to produce up to our quality standards."

• **Horse Sense Opportunists**—The War Department hails K.&T. for having "the best farming-out record in the whole country." How it works is plain horse sense, informal and opportunistic. The boys say that their own current needs and the other fellow's equipment, personnel, and ability determine everything about the deal.

Some shops make better subcontractors than others equally equipped, just as some men make better husbands. Not every well-tooled shop can turn out the grade of work that a precision miller requires. Conversely, some meagerly machined shops are staffed by exceedingly skillful mechanics who are the

comers to parking spaces over a loud speaker system. Customers have their tickets validated at any store they visit—whether they've made a purchase or not. More than 1,800,000 customers used the free parking spaces last year, at a cost to cooperating merchants of less than five cents a car. Merchants say reduced delivery costs more than offset costs of operating the parking areas.



The amazing engine the blacksmith built

IN 1697, Thomas Newcomen was an unknown village blacksmith in Devon, England.

In 1698, he had invented an engine that was to make his name famous for centuries. It was a steam engine with a *separate* boiler, vastly more efficient than the former engines in which the water had to be boiled in the cylinder before each stroke.

As the years have gone by, Newcomen's little $5\frac{1}{2}$ -horsepower engine has grown into unbelievably efficient turbines delivering as much as 100,000 horsepower, requiring boilers as big as a house. But one problem still bothers many users of power.

This is the problem of water vs. steel.



Water, as you know, may rust steel, pit it, corrode it, or leave heavy scale formations. This can result in an increase in maintenance costs or shorten the life of the boiler or turbine. Not infrequently

it results in expensive breakdowns.

Any plant owner is making a mistake who believes that routine boiler inspection is enough to solve this problem. It isn't. True safety-engineering methods are necessary. Methods that include not only complete, expert inspection of the boiler itself, but chemical analysis of the water used in it.

The Safety Engineers of The Travelers Insurance Companies offer you this kind of service. When these engineers discover



scale, pitting, or corrosion, they don't just recommend replacements. By analyzing the feed water, they find just what minerals are causing the condition. Then they recommend the proper chemical compound to neutralize these impurities.

This eliminates the necessity of many future repairs. It minimizes the possibility of costly breakdowns. And by reducing heat and power losses, it effects great savings in fuel. (In many cases

these fuel savings are greater than the cost of the insurance!)

The Travelers has the largest and most experienced staff of safety engineers in the country. There are 347 of them actively engaged in field work; 48 in research and similar work at the home office; and 130 clerical employees to assist these experts; these people see that every helpful finding by a Travelers engineer is immediately passed on to all Travelers engineers in the country.

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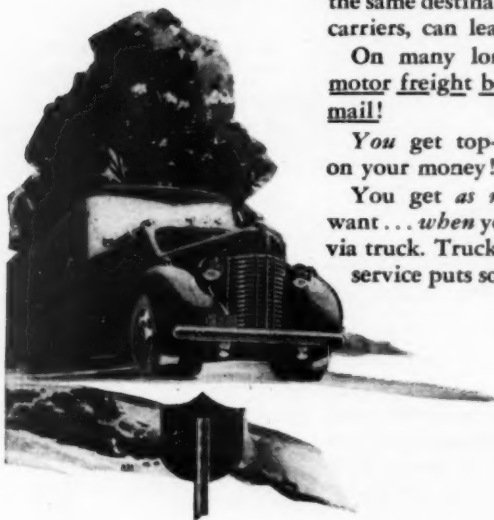
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- Trucks employ more men than all other freight carrying systems combined.
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- Payroll is four times that of entire steel industry.

TRUCKING ASSOCIATIONS

WASHINGTON, D. C.



Francis J. Trecker, assistant chief engineer of Kearney & Trecker, is also in Washington at work on the farming-out program to speed production.

creations of their own poverty—they have learned to do just about everything on their few good tools, and turn it out within two ten-thousandths.

• **Tools Must Be Right**—K.&T. has changed no designs for the subcontractor's convenience. "You can't compromise on the design or quality of a machine tool," say the Trecker boys. "If we were to put out millers that were not right, they would not help the defense program and they certainly would not help our reputation."

At the other extreme is the occasional subcontractor who gets a job for which he is actually better equipped than the Milwaukee plant. For instance, the rotary head of the newest K.&T. miller requires an unusual type of large bearing race. To make it would have required additional equipment, but there were half a dozen bearing makers already equipped. The common-sense question asked every time is: "Why put in equipment to do for ourselves anything for which others already have idle machines?"

• **One Part Is Needed**—With defense orders pressing continuously, and with the plant's own equipment and capacity expanding almost weekly, the production planning department leads a tough life. One day, recasting operations, the top planner finds that everything is in balance, except for lack of capacity on Parts A, B, and C. He trots to the subcontracting department, asks, "Can you get these coming through 200 a day, starting a week from Wednesday?"

Says the head farmer-out, "I'll let you know this afternoon." He has in his files several dozen plants eager for K.&T. work, with each available piece of equipment listed by type, age, and

condition. His inspector-coordinators, formerly sales engineers, have already checked over these plants, have rated them not only by machines, but also by employed personnel and type of men at the top. A plant gets on the list originally by writing in, or on the recommendation of a K.&T. salesman, service man, or subcontractor.

• **Contract and Blueprints**—It takes a few minutes and maybe a few long-distance calls to set up the preliminary deal for Parts A, B, and C. The same day a company officer and an inspector-coordinator board a plane with the contract, blueprints, and setup notes.

The coordinator stays on the job long enough to O.K. the first finished parts and see them shipped on schedule. For a big contract, such as a year's requirement of a major unit, he may remain full-time.

• **Freeing More Capacity**—Often the coordinator reports back that the subcontractor could handle twice as much

DIGGING UP TOOLS

Even counties that are predominantly rural can turn up a surprising number of machine tools for defense. This was demonstrated last week-end when officers of the Shenandoah Defense Council—speaking for the Virginia counties of Augusta, Rockingham, and Shenandoah—appeared before Army, Navy, and Defense Commission authorities. The Virginians reported that the three counties had 365 machine tools which were idle 90% of the time and that plenty of skilled men were locally available to run them.

Defense authorities applauded. Morris L. Cooke, of Sidney Hillman's Labor Division, estimated that about 50% of the country's production facilities were still idle.

Concurrently, the War Department's factory mobilizers—the two Trecker brothers—revealed that they would base their subcontracting program on the department's comprehensive survey of industrial equipment (BW—Jun. 1 '40, p22). Index cards on 10,000-odd plants, collected over a period of years to show just what each factory can produce, will be used in a follow-through system designed to whittle down the backlog of defense contracts.

Also injected into the picture was a set of concrete proposals by the Canton (Ohio) Chamber of Commerce looking toward the setting up of regional coordinating agencies to act as intermediaries between the prime contractors and subcontractors.



Subcontracting is nothing new to Dollar-a-Year Man Joseph L. Trecker, president of the Milwaukee milling machine firm of Kearney & Trecker.

work. Then another contract probably comes along. This frees a corresponding capacity at Milwaukee, which is turned to some other part. Thus total output is increased, but is never completely in balance.

Periodically, the production planning department hollers for help, the subcontracting department swings into action, the cycle starts all over again.

• **Parts or Entire Machines**—Of the 1,000 to 1,600 parts in a K.&T. milling machine, all but a few of the most critical are being made by one subcontractor or another. Some outside shops make parts, or sub-assemblies, or even jigs and fixtures.

Three plants—Miehle Printing Press Co. at Chicago, Westinghouse Nuttall Works at Pittsburgh, and Saranac Machine Co. at Benton Harbor, Mich.—make complete K.&T. millers, except for the few parts they must get from Milwaukee. Most of the finished machines are, however, shipped to Milwaukee for final inspection and assembly.

• **Plants That Lie Idle**—Despite their years of subcontract experience, the Treckers are in a continual state of surprise at the huge volume of plant and equipment lying idle all around the country—oil-well equipment shops in Oklahoma, flour-mill machinery plants in the Middle West, street railway repair plants in the East. All of these plants, they say, can do something or other useful in the defense program, even down to the little alley machine shops with a couple of good lathes and a drill press.

• **Regional Pools**—"Eventually," declares Francis, "these assorted shops will probably find their way into regional

pools. Then, though any given shop may be unable to take on a primary contract, it can take on a subcontract. From what little we know about the subject, it looks as if the possibilities of farming out contracts for national defense have hardly yet been touched."

Roads Needed

PRA designates construction of access roads to cantonments, defense's "number one job" for highway builders.

Last summer, the conditioning of the United States' 75,000-mile strategic system of major highways looked like the number one defense job for road builders. Now, however, with an increasing flood of trucks and automobiles beginning to jam turn-offs from major arteries into military, naval, and industrial establishments, the Public Roads Administration has given first priority to the construction of access roads (BW—Nov. 30' 40, p. 8).

The administration estimates that at least 2,900 miles of such roadways, at a cost of about \$194,000,000, will have to be built around naval and military bases alone, according to McGraw-Hill's Construction Methods, which currently presents a detailed analysis of the number one road-building program. These totals will be swelled considerably by access roads to new defense plants, which will be included in the recommendations of state and federal road officials, military officers, and county and city authorities who are now conferring throughout the country to determine exact needs.

• **The Problem**—A good example of the problems facing these conferences is the 130 Army cantonments and other military posts throughout the country—both old and new—which in some cases are expanding from a personnel of only a few hundred men to as many as 70,000 or 80,000 men.

Funds for the access-road building program will be furnished: (1) By federal-aid funds which are not yet earmarked and which will be matched by state treasuries under the federal-aid agreements (this federal appropriation now totals about \$304,000,000); (2) by funds already authorized under the normal operation of the Works Progress Administration; (3) by War and Navy Department funds; (4) by such amounts of state and local money as can be contributed, in addition to the required state contributions under the federal-aid plan.

• **Strategic Highway Needs**—Meanwhile, however, work on the problem of revamping the major highway system—or what the War Department calls the

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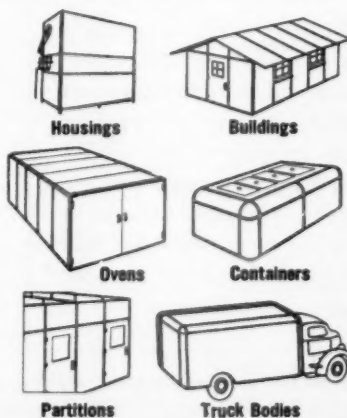
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"strategic system"—has not in any sense ceased, and PRA reports that necessary reconditioning will be done as rapidly as possible. Main weaknesses of this 75,000-mile network appear to be as follows: 4,000 miles of these roads are less than 18 ft. in width; 14,000 miles are deficient in surface strength; 2,400 bridges fall below Army standards of strength; 500 additional bridges do not meet an 18-ft. standard of width or a 12½-ft. standard of clearance; in greater part, these highways do not have wide enough shoulders to meet military requirements. (War Department requirements call for 10-ft. continuous strips where possible, or 10-ft. shoulders in 2,000-ft. lengths at least every 2 miles on alternate sides of the roadways.)

Testing for War

Communications industry, in throes of defense production job, becomes proving ground for wartime operating plans.

The communications industry is doubly in the spotlight these days: (1) Because it is producing hundreds of millions of dollars' worth of equipment for the Army and Navy with no bottlenecks in evidence, and (2) because the government is using it as a test tube in planning for wartime operation (BW—Nov. 16 '40, p. 7).

Principal defense product of the industry is radio apparatus for the Army's planes, tanks, and field forces, and for the Navy's ships. Output of radio sets has to be geared so that they will be ready for installation as required, when the planes and other units are in the final stages of manufacture.

• **Rise in Employment**—Considerable expansion of employment and some enlargement of facilities have resulted, notably in the radio division of the industry. Western Electric and the independent telephone manufacturing companies like Automatic Electric and Kellogg Switchboard & Supply have increased employment, but have adequate plant facilities. They are handling their defense contracts without interfering with production for their regular civilian customers.

In radio manufacturing, many companies—big and little—have increased employment substantially, with General Electric and Westinghouse in the vanguard.

• **Enlarging Operations**—RCA has added 2,000 employees, with promise of another 4,000 at its expanded Indianapolis plant. Bendix has bought the old Atwater-Kent plant in Philadelphia, one of the largest radio manufacturing units, and has notably enlarged operations and increased employment. Philco and

Stewart-Warner, besides making defense apparatus, have geared parts of their plants for munitions production.

The Army has allocated substantial contracts to around a dozen small companies (like Bunnell and Aircraft Communications) to make them specialists in the production of airplane or tank apparatus.

Although radio manufacturers are going ahead with their planning for FM and television, no great spurt in those fields is expected for a year or so. View of the industry is that both FM and television production would be considerably retarded if the United States should go to war.

• **DCB and Its Job**—Nearest approach to actual planning for wartime operation in any specific industry is to be found in the work of the Defense Communications Board and its advisory committees.

Head of the Defense Communications Board is James Lawrence Fly, chairman of the Federal Communications Commission. Other members are: Major General Joseph O. Mauborgne, Chief Signal Officer of the Army; Rear Admiral Leigh Noyes, Naval Communications Director; Breckenridge Long, Assistant Secretary of State; and Herbert Gaston, Assistant Secretary of the Treasury.

Planning is done by the 15 advisory committees, which make reports and recommendations to the board. DCB passes upon the proposals and, in turn, makes recommendations to the President.

• **War Problems Only**—The board and its committees have been instructed to shelve all peacetime thinking, and to work entirely upon war problems. Tasks will include formulation of executive orders and legislative amendments which appear necessary. Interestingly enough, one job will be a survey of existing government regulations so that they can be lightened to streamline operations under war conditions.

The Army and Navy are putting up a stonewall defense against any assaults by public-ownership advocates. Position of the military authorities is that the communications industry is efficient, adequate, and well-managed, and that no new political interference should be permitted.

• **Advisory Machinery**—One of DCB's advisory committees will be made up of leading figures of the communications industry—including Gifford of A.T.&T., Sarnoff of RCA, White of Western Union, and Behn of I.T.&T. Another advisory committee is composed of labor union representatives.

Eleven of the committees are technical groups covering every phase of communications. One advisory group coordinates the work of the others, while another gives legal advice and does what legal drafting is required.

No-Strike Pledge

A.F.L. metal-trades unions promote plan to speed national defense work by negotiating voluntary arbitration pacts.

National defense showed its hand more clearly than ever as the dominating factor of labor policy this week, when officers of 13 international unions of the American Federation of Labor pledged themselves and their unions to "no strikes" in metal industries working on national defense orders. They represented approximately 800,000 workers—bulk of the organized employees in the metal trades.

Integral adjunct to the plan is to secure employer cooperation by a series of contracts setting up machinery for voluntary arbitration, thereby assuring no work stoppages either by strikes or lockouts. The unionists' idea is to draw these contracts so that if a dispute arises, it will (1) be considered directly by representatives of employees and employers; (2) be submitted to the Conciliation Service of the Department of Labor, if direct negotiation fails; or (3) be submitted to arbitration, if the other two methods fail to resolve the difficulty quickly.

• **Opposition Not Foreseen**—Although employers may be less enthusiastic about the A.F.L.'s "no strike" plan, it is likely that there will be no concerted opposition. Indeed, since many contracts within the metal trades already contain voluntary arbitration provisions, some employers may welcome the extension of its use. ("Voluntary arbitration," as advocated by this A.F.L. pledge, means only arbitration by mutual agreement. It does not encompass "compulsory arbitration," such as could be enforced by law, to which both employers—as represented notably by the National Association of Manufacturers (BW—Dec. 14'40, p16)—and unionists are for the most part opposed.)

Some metal-trades employers were inclined to discount the move as a good public relations move on the part of the unions, which are naturally concerned with maintaining public support.

• **Group Contracts**—One unusual feature of the pledge—obviously designed to secure the advantages of industrial bargaining for the craft unions—is that the associated metal-trades representatives would negotiate these arbitration contracts with employers by regions and industries. Thus the unionists would meet with employers in the shipbuilding industry on the Atlantic Coast, the Gulf Coast, in the Great Lakes region, and on the Pacific Coast and negotiate single agreements on behalf of all the metal unions in each area.



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AGRICULTURE

Hybrid Corn's Empire Grows

Now that it has overtaken and passed old varieties in the corn belt proper, seed-growers and sellers are expanding south and west. Four-way race is on for control of distribution.

A new chapter is about to be written on that prodigy of agriculture—hybrid corn. Remember the headlines a few years ago when farmers in Iowa, Illinois, and Indiana first witnessed the magic of hybrids? Remember the reports of hundred-bushel-an-acre corn, and the scramble for \$10-a-bushel-seed which followed? And the quick fortunes made by the few who had seed to sell?

Well, today the farm scene in the corn country is much calmer. Phenomenal hybrid yields are still itemed by the

farm press; hybrid seed corn still brings its growers a good price; but there are 10 seed-growers today where one flourished in 1935.

• **Moving West and South**—With approximately three-quarters of the total corn acreage in the leading corn states safely in the hybrid column (see maps below), seed growers are now planning to conduct field demonstrations (which, if successful, are excellent sales-makers) throughout five states to the south and west, where hybrids account

for only 20% of the total corn acreage.

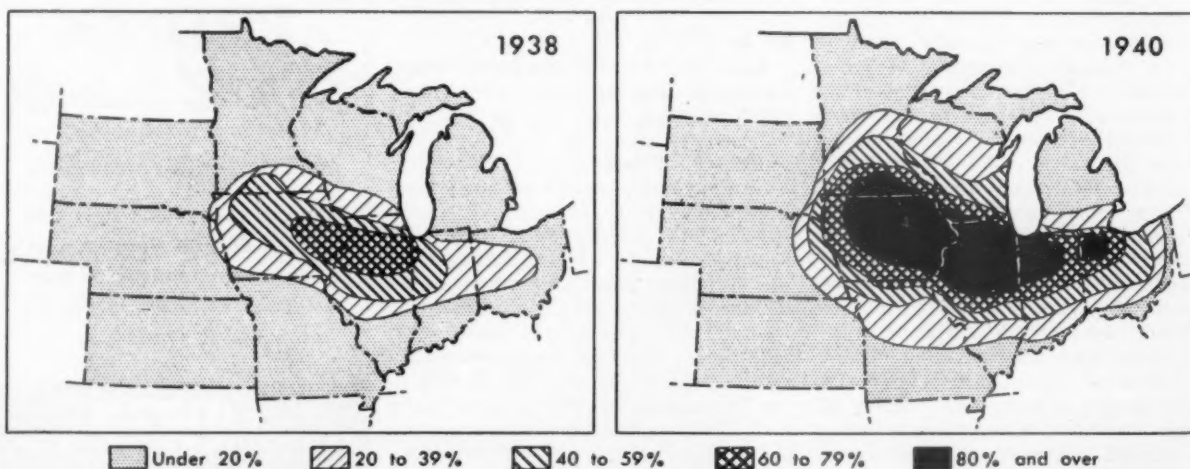
Of the advantages claimed for hybrids, resistance to wind and drought is of prime importance to Kansas and Nebraska, where corn has lately been side-tracked for other crops. Other claims include, of course, higher yield and resistance to disease.

• **Commercial Newcomer**—Until hybrid corn started to make such a big noise throughout the Three-I league five years ago, seed corn was hardly regarded as an important commercial possibility. Most farmers simply retained the best ears from their current crops. Hybrid seed corn, however, has a peculiarity which restricts its use to first generations following the cross with either inbred lines or single-crossed hybrids, and requires new seed to be obtained by farmers each year. The raising of hybrid seed requires more technical knowledge and attention than the average farmer cares to contemplate.

• **Perennial Bonanza**—Sales prospects for growers of hybrid seed are most promising. In the 12 corn belt states

HYBRID CORN CATCHES ON WITH THE FARMER

Percentage of total corn acreage planted with hybrid seed



Data: U.S. Department of Agriculture.

© BUSINESS WEEK

alone there are 50,000,000 acres of corn land which, if planted 100% in hybrids, would require approximately 7,000,000 bushels of seed (which is now selling at from \$4 to \$8 per bushel) not just the first year, but every year. Never has the seed industry experienced anything so perennially bountiful.

An incidental but important windfall also seems sure to come to the farm implement manufacturers whose mechanical corn pickers work much better on the straight, strong stalks and uniform ears of the hybrids than on the crooked and often wind-lodged stalks of the old standard field-corn varieties.

• **Carrying the Corn Belt**—No one has doubted that hybrid would eventually overtake the old varieties in the corn belt. It was just a question of how long. Last year it happened. Of the total acreage in the corn belt (an irregular shaped area with Ohio, North Dakota, Kansas, and Missouri on the corners), 50.5% was planted in hybrids. While this lead is slight, it represents a gain of 100% over hybrid acreage in 1938, and 25% over 1939. Of the 12 states

in the corn belt, Iowa with 88% in hybrids topped the list, Illinois was next with 77%, and Indiana third with 66%.

Seed-growers and plant-breeders (who invent the thousands of different hybrids, each registered by name and number) are just getting around to the border states of the corn belt—the Dakotas, Nebraska, Kansas, and Missouri. There, according to the seed fellows, the Burma Shave jingles and Mail Pouch tobacco signs now seen in roadside corn fields, will soon be replaced by the banners of DeKalb, Funk, Pioneer, and other hybrid-seed growers.

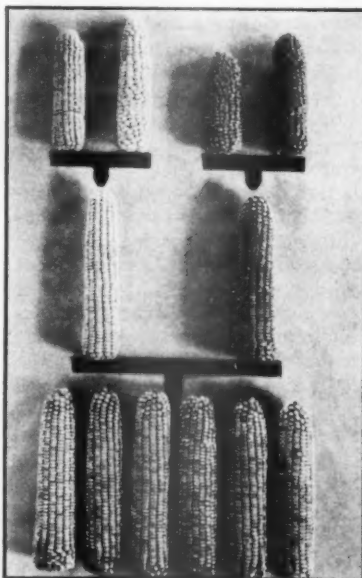
• **New Hybrids Developed**—Why have the seed people neglected these prairie states until now? Probably the main reason is that the seed industry, until last season, had about all it could do supplying the demand of the major corn states. Also, new hybrids had to be developed—made to measure for the unpredictable climate of Kansas and Nebraska which has proved too rigorous for many hybrids that had previously established excellent records in Iowa and

Hybrid Corn—And How It's Made

Hybrid corn is by no means a new thing. Early experiments were begun 70 years ago with the really significant progress taking place over the last 35 years. Yet the commercialization of these long and painstaking studies, with resultant revolutionary consequences in the corn belt, has been the product of the last half dozen years.

As R. W. Jugenheimer of the Kansas Agricultural Experiment Station tells it, the best corn hybrids are produced by crossing selected inbred lines. These lines are obtained by "selfing" (applying to the silks of a plant the pollen from its own tassel). Inbreeding results in a marked decrease in vigor and productivity and it is used to obtain pure or true breeding lines. After about seven years of inbreeding, these lines are crossed to produce hybrids. Experiments have shown that the most vigorous lines produce the best hybrids so that lines which develop weaknesses in "selfing" are discarded before inbred lines are crossed.

Single-crossed hybrids result from crossing of two inbred lines; double-crossed come from crossing of two hybrids each of which is the progeny of two inbred lines. The family tree of two single crosses and one double cross is shown in the photograph above prepared by D. F. Jones of the Connecticut Agricultural Experiment Station. Three-way crosses also are practical at times, although the dif-



iculty of getting suitable crossing lines becomes more difficult.

Main commercial deterrent has been production of enough seed. Once a good hybrid line has been bred it must be kept pure. That means either hand-pollinating or planting in isolated fields—and sufficient isolation to prevent polygamy in corn involves distances running all the way from an eighth to a quarter mile. Either way, it takes a lot of time and skill and labor which add up to expense.

Help Wanted—Men

MACHINISTS, hand and automatic screw machine men, toolmakers, machine repair men, parts inspectors and supervisors for metal working plant in metropolitan area. We require a limited number of thorough mechanics with not less than 30 years experience.

HELP!

IN NEW JERSEY for the manufacturer looking for SKILLED LABOR

★ THANKS to wholehearted cooperation of New Jersey's famous vocational schools with the national defense program, there is no acute shortage of labor in this state. A recent survey disclosed there were 279 highly skilled machinists seeking immediate employment. And 165 skilled welders! What's more, additional hundreds of high type workmen are being graduated monthly.

★ A constant supply of 175 different types of skilled labor is but one of many basic economic advantages which give manufacturers located in New Jersey a real "competitive edge." For example — unrivalled transportation facilities... are afforded by the 14 railroads in the state, together with 500 miles of deep sea waterways and over 17,000 miles of improved highways.

★ If you plan to move or decentralize your operations, find out what a New Jersey location can offer you: low cost land... moderate power rates... freedom from state income taxes, either corporate or individual... nearness to important sources of raw materials. For free booklet, write Dept. B3, New Jersey Council, State House, Trenton.

Also ask for new booklet covering 68 available industrial sites in detail, with photos and plan for furnishing capital for plant expansion.



NEW JERSEY

A good place to WORK, to Live and to Play

men, parts inspectors and supervisors for metal working plant in metropolitan area. We require a limited number of thorough mechanics with not less than 10 years experience; good pay and permanent work; all applicants will be thoroughly investigated; write for interview giving complete details of experience, including age, past and present employers, education, marital status and references; must be American citizens; all applications will be confidential.



Strong, straight stalks of hybrid corn simplify harvesting—and the big, full ears are the answer to farmers' dreams of high yields.

Illinois. Development of new hybrids usually requires upward of six years.

● **Drought-Resisters**—Reports soon to be released on 1940 tests indicate that certain hybrids have a much better chance to survive drought seasons than the best open-pollinated varieties. Mechanical mixtures of several different hybrid seeds will be offered to growers in Kansas and Nebraska, where "firing" of corn silks by hot winds during the extremely short pollination period common to all hybrids, often defeats the fertilization processes.

These mechanical mixtures will contain equal portions of early and late pollinizing hybrids; if one fails to do the fertilizing job, the later variety should come to the rescue.

● **In the Cattle Country**—This year hybrid corn or any other kind that will produce a crop in the strip of country between the Panhandle of Texas and the stockyards of Kansas City and Omaha, will be most welcome. Here the largest cattlefeeding operations in years are taking place despite the fact that there is an acute shortage of corn other than that sealed in bins as collateral for federal loans.

Incidentally, if there is one pastoral scene today that upsets the dispositions of cattle feeders more than another, it is the sight of what the Midwest calls Wallace tin cans—farm-type steel granaries—filled with pledged corn that won't come out until market prices are high enough to pay off the government loan and leave something over for the farmer.

During the recent cycle of drought years most farmers in eastern Kansas and Nebraska planted their corn fields in wheat or sorghum. If the new hybrids prove themselves this year—and there will be many test plots located all through the cattle feeding country—

watch for a partial switch back in crops to corn, permitting greater diversification.

● **Race for the Market**—At present there is a four-way race for control of distribution of the increasing volume of hybrid seed corn. Contestants are (1) seed-growers selling by direct mail, many of them, such as Henry Field of Shenandoah, Iowa, operating radio stations; (2) farmer-salesmen representing seed-growers; (3) local seed dealers; and (4) cooperative seed-growing associations which not only raise seed for farmer-members but often dispose of their surplus through farm co-op stores.

Some seed is sold by Department of Agriculture experimental stations, but as a rule they get out of the picture as soon as commercial growers can supply the trade. Farmer-salesmen are often selected because of their prominence in their communities. Many are making more money selling seed on commission of \$1 to \$2 per bushel than from their farming operations. Farmer-salesmen seem to be accounting for more sales than those in the other groups.

● **Some Dissenters**—There remain quite a few outstanding agricultural experts, particularly in Nebraska and Kansas, who are not completely sold on hybrids for the border states. They maintain the difference in yields between hybrids and standard varieties may often be offset when fertilizer is used with the latter. The deep-rooting hybrids deplete the soil to unusual depths; so the average farmer fears he will have to spend more on fertilizers if, indeed, he can replenish the soil at all. A certain resentment also exists in border states against hybrid development programs because of the large amount of money that must necessarily be sent to Iowa and Illinois for seed each year.

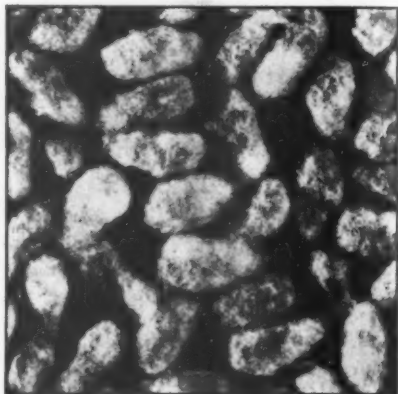
Naked Cottonseed

Removal of fuzzy coat solves many of planter's woes, processors say, hoping to clinch argument this year.

Science is taking the fuzzy coat off the cottonseed in the hope of revolutionizing an industry.

The coming growing season will mark the first large-scale planting of cottonseed from which the linty outer covering has been entirely removed by a chemical and mechanical process. While plant pathologists long have blamed the coating for many of the cotton farmer's troubles, this will be their first opportunity to prove it on enough acreage to impress people.

● **The Indictment**—The fuzzy seed has been charged with three major crimes against the cotton grower: (1) harboring insects and diseases which seriously damage and sometimes destroy crops; (2) concealing weak and diseased seeds which otherwise could be detected and eliminated; (3) making the seed hard to plant and necessitating excessive and irregular planting, which produces clus-



Cottonseed—before—when it still had its linty outer coating.



Cottonseed—after—with the outer covering removed.

The whisper four inches square

THAT WAS HEARD FROM COAST TO COAST

Two new Schick Dry Shavers with an improved shearing head were announced in the September 14th issue of The Saturday Evening Post.

Also in the copy, in a 4" box under the headline "*Schick Owners*"—and in 8-point type—present users were offered a new head for old shavers at \$3.

Results?

In one week, sales of new heads at Schick Service Stations more than doubled.

In two weeks, sales rose to two and a half times normal.

Why do new products, or old, get quick acceptance when advertised in the Post?

Partly because people have more confidence in the Post...and partly because people pay more attention to advertising in the Post than in any other magazine.

Last year they awarded nearly 9 million dollars more to the Post than to its nearest competitor.

People pay attention when you put it in the

POST



ters of plants that have to be chopped out by hand labor.

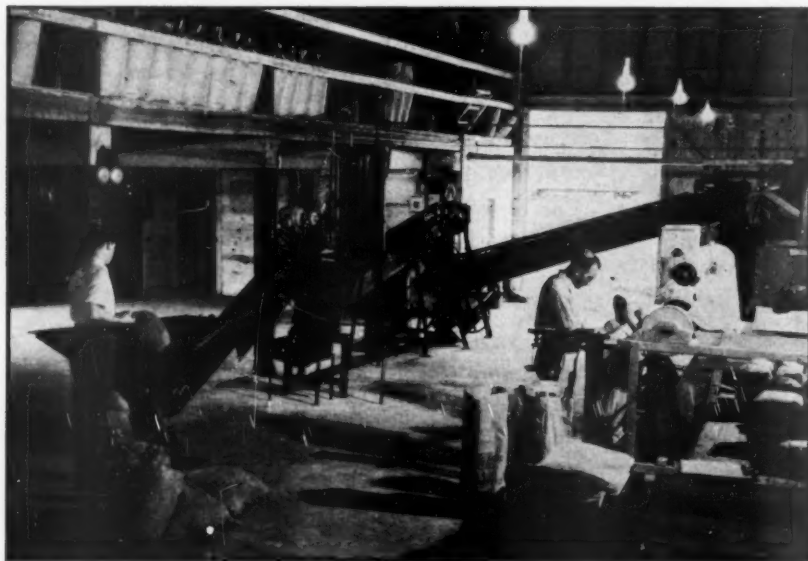
The machine-processed seed will be as smooth as a coffee bean, its fuzz entirely removed by a sulphuric-acid bath. Graded by a flotation process, the weak and diseased seeds will be eliminated. And, without the coat, the seed can be drill-planted like corn and will produce individual cotton plants which require no chopping out.

• **Protection from Disease**—The final step in the processing is a dust bath with an organic mercury compound to protect the seedlings against soil-borne diseases. The seed germinates faster without its fuzzy coating, enabling the cotton farmer to delay planting until the weather hazards are reduced.

Originated by Dr. J. G. Brown, head of the plant pathology department of the University of Arizona, the process is licensed to the Cottonseed Delinting Corporation, which has one plant in operation at Kennett, Mo., another under construction at Pine Bluff, Ark., and 15 others contemplated for locations in cotton-producing states.

• **Tested in Missouri**—Earl M. Page, president of the Corneli Seed Company of St. Louis, distributor for the seed, said 600 southeast Missouri planters tried the seed with good results last season. He estimated that four million pounds will be distributed this season.

Page said the processed seed sells for 8¢ to 10¢ a pound compared with 3¢ to 6¢ for a good grade of fuzzy seeds. This difference is more than offset, he said, because the processed seed can be accurately planted without waste. It is claimed that eight to 10 lb. will seed an acre whereas as many as 40 lb. of the fuzzy type are sometimes required.



The Cottonseed Delinting Corp., licensed to handle the job of removing the outer coat from cotton seed, has only one plant in operation now, at

MARKETING

A.&P. Goes A-B-C

Extends grade-labeling system to full line of canned fruit and vegetables, much to the delight of the N.C.R.C.

Chains in general rate pretty well with organized consumer groups, and of the food chains Great Atlantic & Pacific Tea Co. has been a particular favorite because, starting a half dozen years ago, it began grade-labeling some of its private-brand canned goods.

Hence, when a number of competitors recently announced that they were adopting grade labels, along with informative panels worked out by the National Consumer-Retailer Council (BW—Nov. 30'40,p27), the prediction was that A. & P. would soon follow suit.

• **To Fruit and Vegetables**—Last week A. & P. did the expected when it announced (through the N.C.R.C.) that it is extending to its full line of canned fruit and vegetables the A, B, C system of grading dear to the hearts of consumers. The company is also adopting the N.C.R.C.-approved informative panel for labels that explain grades.

The chains which had previously announced their cooperation in the N.C.R.C. labeling project—Kroger, Grand Union, D. Pender Grocery Co., Rogers Stores, and the Big Star Markets—are for the time planning to limit their

Kennett, Mo.—but another is already under construction in Pine Bluff, Ark., and 15 more are contemplated for other cotton-producing states.

GRADE C IONA TOMATOES

The meaning of "Grade C"

This can is one of a lot from which samples have been tested and rated Grade C. Sanitary and packing regulations are the same for all grades (A, B and C) and all have practically the same wholesomeness and nutritive value. Grades A and B usually bring a premium for their better appearance and more delicate flavor. Grade C foods are standard quality, good but not fancy, and suitable for all general purposes. They appeal to careful home managers. No one need hesitate to serve them on any occasion.

TO QUALIFY AS "GRADE C"

Iona Tomatoes must meet the following requirements—Fairly large pieces, but need not be whole • Reasonably free from uncolored parts • Reasonably free from defects • Good flavor

This can of Iona Tomatoes is:

CAN SIZE..... No. 2
CONTENTS..... 1 lb. 3 oz., about 2½ cups
SERVINGS..... 4 or 5

ALSO AVAILABLE IN:

A&P BRAND
Grade A—Our Highest Quality
SULTANA BRAND
Grade B—Our Medium Quality

This is the type of label suggested by National Consumer-Retailer Council, Inc.

A. & P. meets its competitors by extending grade labels, with informative panels, to its full line of canned goods—including Grade C. Other chains, for the time being, are grading only A and B products.

grading to Grade A and B products. A. & P. will also have Grade C products with the informative panels. That elates the N.C.R.C., which says that Grade C needs to be sold to a large portion of the population as a means of getting all necessary food values within the limits of a modest food budget.

• **What the Labels Say**—The informative panels on Grade A labels carry the statement that the contents are of finest quality "and therefore represent only a small part of the whole pack, selected at the peak of flavor." The Grade B label carries the statement that the pack is of "choice quality; A. & P.'s intermediate, not highest quality," and that the contents are "excellent in appearance and have a fine flavor." The Grade C label says: "Sanitary and packing regulations are the same for all grades (A, B and C) and have practically the same wholesomeness and nutritive value. Grades A and B usually bring a premium for their better appearance and more delicate flavor. Grade C foods are standard quality, good but not fancy, and suitable for all general purposes. They appeal to careful home managers. No one need hesitate to serve them on any occasion."

• **Requirements Set Forth**—Each label then states the requirements to qualify under a given grade, to which is ap-

pended a description of the can, number of servings, and so forth.

A. & P. is now beginning printing of the new informative panels, and they will begin to find their way to store shelves within a few weeks, although it may be months before inventories of old labels have been used up and the company can get a proper line on the sales performance of the new ones.

Meat Grading Issue Raised

Another current development in grading is a move to make compulsory the use of government grades on all beef, pork, veal, and lamb sold in New York City. Along with this would go licensing of all butchers in the city.

The issue is being raised by the Bureau of Weights and Measures of the city's Department of Markets, which has sent several thousand questionnaires to butchers to ask their opinion of grading and licensing. If the butchers vote favorably, a bill will be put before the City Council.

The Department of Markets thinks that butchers favor compulsory grading, but have been loath to push it because of their dependence on the big meat packers, who successfully fought a bill before the council in 1938. The packers, says the department, are against compulsory grading because their own advertised grades have no particular relation to government grades.

BOTTLED GAS GAINS

The liquefied petroleum gas (bottled gas) industry knows that it has been going great guns but not until the annual Oberfell report comes out can it tell how far it has advanced. This survey is made by G. G. Oberfell, vice-president of Phillips Petroleum Co., pioneer in the business. The 1940 report, just released, shows sensational advances over 1939 (BW—Oct. 5 '40, p. 32) which was itself a sensational year.

Marketed U. S. production last year is estimated at 300,000,000 gal., an increase of 32.5% over 1939. Popularity of this fuel among fugitives from the cities is apparent in the rise of retail (home) customers to 1,125,000, an increase of 325,000 for the year. Demand from rural and suburban families accounted for the heaviest bulge in sales. Total in this classification was 128,000,000 gal., a 46.3% increase. However, industrial use is still greater than domestic, and is still advancing. During 1940 industries consumed 153,000,000 gal., 27% more than in 1939. In many cases liquefied gas is a stand-by fuel for plants running on natural gas or is replacing the diminishing natural gas supply.

Mr. Oberfell isn't worried over the future. He figures that the propane and butane being sold as liquefied gas is only 3% of the potential output.

10 for a Season Ticket to a World-Famous Symphony Concert Series?
What A Value!

Allegro con
FL. I.
Cl.

Arthur Rodinski, The Cleveland Symphony Orchestra

Gilbert Quality Papers are Great Values, too!

● You'd buy at once, if \$10 would get you a season ticket to a world-famous concert series. Your appreciation of good values would dictate this. So why not investigate the exceptional values that Gilbert Quality Papers assure for your letterheads, envelopes, ledger papers, bristols, and other business writing papers!

Gilbert Quality Papers are produced in America's largest mill devoted to making fine business writing papers from new cotton fibres. This permits efficient buying of raw materials, and specialized manufacture by highly-developed processes. Here are the *extra values* you get when you entrust Gilbert Quality Papers to carry and protect the daily transactions in your business:

EXTRA BEAUTY. Crisp, beautifully-finished, tub-sized and air-dried Gilbert bond papers give an admirable prestige-background for your business name and product.

EXTRA LIFE. New cotton fibres, and specialized production, enable Gilbert Quality Papers to protect your business records *safely* for any number of years you desire.

EXTRA TOUGHNESS. Permits repeated erasures without tearing, fuzzing or blemishing. Assures sharp, clean corrections with ink or ribbon. Reduces stationery cost and wasted stenographic time. Inbuilt strength resists abuse of daily routine office handling, and other destructive factors.

Write for sample portfolio of complete Gilbert line . . . then ask your printer or Gilbert paper merchant for assistance in adapting these popularly-priced quality papers to your needs. The Gilbert Paper Co., Menasha, Wisconsin.

GILBERT  *Quality Papers*

Gilbert Bonds New-Cotton-Fibre-Content
Dreadnaught Parchment 100%
Lancaster Bond 100%
Valiant Bond 75%
Radiance Bond 65%
Resource Bond 50%
Allegro Vellum 50%
Gipsy Bond (Opaque) 25%
Dispatch Bond 25%
Avalanche Bond 25%

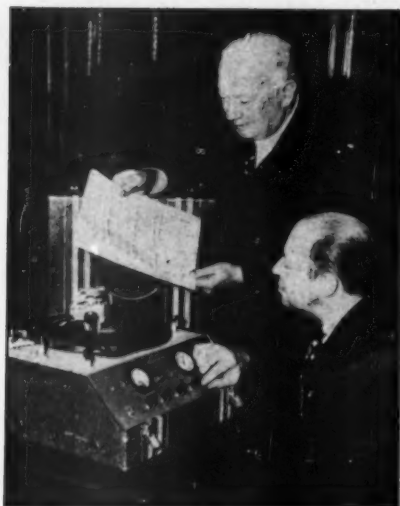
Gilbert Onionskins New-Cotton-Fibre-Content
White Cloud Onionskin 75%
Dispatch Onionskin 35%
Gilbert Index Bristol New-Cotton-Fibre-Content
Dreadnaught Index 100%
Dumtious Index 50%
Dispatch Index 25%

Gilbert Ledgers New-Cotton-Fibre-Content
Dreadnaught Lines Ledger 100%
Old Ironsides Ledger 75%
Dumtious Ledger 50%
Dispatch Ledger 35%

Gilbert Safety Papers New-Cotton-Fibre-Content
Dispatch Safety 25%
Gilbert Safety Bond 25%
Arrowhead Safety (Bulphite)

• Miscellaneous Gilbert Products •
Dispatch Manuscript Cover 25% New-Cotton-Fibre-Content
Also Fine New-Cotton-Fibre-Content Papers to Meet Special Requirements

★ The Best Papers Are Made With New Cotton Fibres ★



ASCAP now operates listening posts to detect unauthorized use of its music on the air. Above, John G. Paine, general manager of the society, and Dave Stamper, composer, check a sheet of music with a recording which has been made at one of the posts.

ASCAP-Less Air

Radio music-price war looks like an endurance test, but pressures on both sides make quick peace possible.

The most widely publicized trade price war in history—that between radio broadcasters and the American Society of Composers, Authors, and Publishers—this week had all the signs of settling down into an endurance contest.

If serious negotiations for a truce are being carried on they are being kept so secret that it is hard to believe in their existence. Nevertheless, neutral observers recognize the possibility of a quick peace, for once the two parties get together—as they eventually must—it is likely that they can patch their differences quickly. Getting them together is the rub. Here are the pressures that will eventually cause one side or both to call quits:

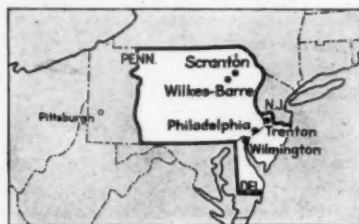
(1) **Financial Pressure**—Which, at least in the immediate future will be stronger on ASCAP. Every week that the war goes on, the society loses something like \$80,000, or two-thirds of its revenue. On the other hand, the broadcasters are setting new sales records, have lost only a pittance of business as a result of the row.

(2) **Public Pressure**—Which will be much the stronger on the broadcasters, because they are the retailers who deal with the public directly. Before the fight

The Regional Market Outlook

PHILADELPHIA—Another \$50,000,000 of shipbuilding contracts recently placed here focuses attention on the growing economic importance of the industry to this Reserve district, and, particularly, to the Philadelphia-Camden area. Employment in yards at Chester, Camden, Philadelphia, and elsewhere along the Delaware is fast approaching the 50,000 mark.

On the basis of present appropriations, shipbuilding payrolls are likely to in-



CHICAGO—With heavy work on an aircraft program in the offing, automobile companies are concentrating on building up new-car stocks. Since sales to consumers also continue brisk, production and payrolls in the auto factories should hold to high levels in coming weeks.

Latest of the aircraft-automotive developments is the contract awarded to Studebaker to build aircraft engines in plants at Chicago, Fort Wayne, and South Bend. Major defense projects are going to Detroit's auto industry, rather than to the steel industry in the Chicago area. Thus, payrolls in southern Michigan will be expanding more rapidly than in this city. Already this is being evidenced: November retail sales were 25% above 1939 in Detroit, against an 8% increase in Chicago.

Milwaukee—composing, together with nearby towns, a market of almost 1,000,000 population—is still making the poorest showing of this district's metropolises. For the year sales are up only

7%, compared with 10% in Chicago and 11% in Detroit. Participation of Milwaukee's machinery and auto-supply industries in the business upsurge lifted payrolls above average; but other manufacturing lines—brewing, agricultural implements, hosiery, shoes—are geared to more stable, peacetime activities, and these also bulk large in local economic life. In the future, payrolls are not likely to expand as greatly as in defense centers, for armament orders have not been concentrated there.

In sharp contrast to the role of the armament industries, anthracite mining is barely holding to last year's levels. Correspondingly, retail trade prospects in the Scranton-Wilkes-Barre-Pottsville hard-coal area remain below average.

In this Reserve district national defense has resulted not only in new plant building but also in the reopening of idle facilities, as in the case of Cramp's shipyards in this city. Also, the Pencoyd plant of Carnegie-Illinois, with an annual steel-ingot capacity of 240,000 net tons, will be put back into production. Hundreds of workers in the Schuylkill valley, unemployed since the plant closed down in April, '38, will return to work.

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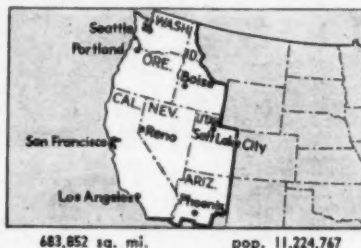
SAN FRANCISCO—The coming year should see marked expansion in employment in the two major armament industries of this Reserve district. Workers at shipyards, now fewer than 20,000, will number some 40,000 in a year, mostly in the Seattle-Tacoma and San Francisco-Oakland areas. The aircraft industry in Seattle and southern California now employs 80,000 persons. By January, 1942, payrolls may almost double the present figure; last January the total

in aircraft employment was only 30,000.

Latest of the expansion programs is Consolidated Aircraft's \$7,000,000 addition to its capacity at San Diego. With 18,000 workers to be added during 1941 (to current forces of 13,000), retail sales there should continue to gain sharply.

Farm income in this semi-agricultural region has been running ahead of last year. California crop receipts—from citrus fruits, grapes, cotton—have increased most sharply. Because of recent favorable weather and rising urban demand, fruits, vegetables, and livestock products should yield greater returns in coming months, although sales prospects in farm sections are not likely to keep pace with armament areas.

Indeed, present disparities within the district should sharpen during 1941. Seattle-Tacoma in the Pacific Northwest, and Long Beach, San Diego, and the aircraft suburbs of Los Angeles are likely to outstrip other sections.



flared, not one person in a hundred had ever heard of ASCAP.

(3) **Government Pressure**—Thurman Arnold's antitrust action against ASCAP, NBC, CBS, and the station-owned Broadcast Music, Inc., is perhaps the most important single factor (BW—Jan. 4'41,p36). If the government can eliminate the practices of which it complains—among them “illegal pooling of copy-rights,” mutual boycotts, and “blanket” licenses which require broadcasters to pay for music regardless of whether it is used—there will be little left to fight about. If music were sold on a per-piece basis, radio could probably buy cheaper than it does on the blanket license basis. Hence, although the broadcasters are to be co-defendants with ASCAP in the antitrust suit, a government victory would be interpreted as a radio victory.

• **Too Early to Tell**—How long it will take these pressures to work is still just a guess. For one thing, ASCAP music has been off the major stations for too short a time for anyone—even the research houses that check program popularity—to be sure of what will happen to listening. For several weeks before contracts expired on Jan. 1, ASCAP music was aired less and less; during that time, according to Archibald Crossley, whose organization does the field checking for the Cooperative Analysis of Broadcasting, there were only the usual seasonal shifts in listening. Reports on the completely ASCAP-less period won't be coming through for several weeks.

• **Direct Licensing**—Major newspaper interest this week centered on the “news” that ASCAP is considering a plan to license advertisers directly. Actually, the society was approached by agencies several months ago (BW—Nov. 16'40,p50), and considered the idea even before that. But ASCAP spokesmen admit there are “difficulties.” Temporary abandonment of blanket station licensing might well become permanent—just what the broadcasters want.

Meantime, nearly 700 of the nation's 750 broadcasters have come into the mutually-owned Broadcast Music, Inc. ASCAP reports that better than 200 stations have signed contracts with it, but admittedly these are small independents; there has been no break in the majors' ranks. Hoping to bring one, ASCAP will make available to its contractees, starting Jan. 18, an elaborate musical program “ASCAP on Parade.”

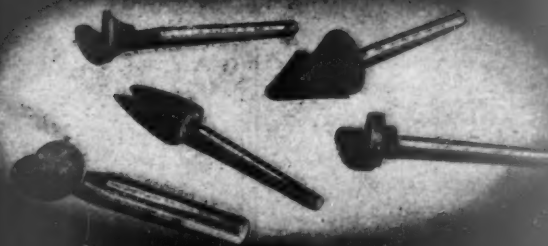
INVENTOR AND LICENSEE

Kurt Ross, 350 W. 57th St., New York City, is the man responsible for the development of the animated cartoon technique in the spectacular field—not Douglas Leigh, as previously reported (BW—Nov.16'40,p51). Patents for this system are assigned to American Epok, Inc., which licenses Douglas Leigh to use it.

NORTON ABRASIVES

*Important Also —
the Small Wheels
of Industry*

Two hundred sizes and shapes of Norton Mounted Wheels and Mounted Points simplify the work of the tool maker, the die worker, the home craftsman. Another Norton contribution in the interest of precision with facility of production—by grinding.



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WORCESTER, MASS.

BEHR-MANNING DIVISION, TROY, N. Y. (ABRASIVE PAPER AND CLOTH)

**Many Industries
PROFIT
BY DISCOVERY
OF
VINSOL***

**A Low-Cost Resin with
Valuable New Properties
That May Reduce Your Costs
and Improve Your Products**

**DO THESE PRESENT USES SUG-
GEST PROFITABLE APPLICA-
TIONS IN YOUR BUSINESS?**

Shellac substitutes	Hard pressed board
Asphalt emulsions	Adhesives
Cement plasticisers	Impregnated paper
and grinding aids	products
Extenders for	Laminating varnish
phenolic resins	Cold molded plastics
Paints	Motor windings
Varnishes	Transformers
Stains	High voltage in-
Nitrocellulose lacquer	sulation

**SOME IMPORTANT
PROPERTIES OF
VINSOL:**

Insoluble in petroleum derivatives—Chemists know how unusual and important this is in protective coatings, plastics, and other products.

Excellent electrical characteristics—At 85°C., breakdown is above 20,000 volts; power factor ranges from 0.5% at 25°C., to 15.2% at 103°C.; dielectric constant from 2.81% to 6.5%.

Easily esterified—With glycerin, ethylene glycol, diethylene glycol, etc., Vinsol yields resins of value in lacquers and varnishes.

Easily saponified—Produces emulsions of extreme stability—valuable in asphalt emulsions.

Other important properties—Dark-colored; dark red by transmitted light; chemically and physically stable; melts at about 115°C.; acid number, 93.

FREE SAMPLE OFFER: tell us how much Vinsol you need for trial.



**Naval Stores Department
HERCULES POWDER COMPANY**

928K Market St., Wilmington, Del.
We need.....pounds of Vinsol
for testing.

Send me a descriptive booklet ☐

Name.....

Firm.....

Address.....

*Reg. U. S. Pat. Off. by Hercules Powder Company, Ltd.

PRODUCTION

New Plastic Plane

Summit Aeronautical job produced under Vidal process patents. Duramold will soon have another model ready.

This week, the newest "plastic plane" goes into the air for flight-testing. It is a little two-place 1,350-lb. job with its low wings, fuselage, and tail all molded and assembled out of plywood bonded with a synthetic plastic by Summit Aeronautical Corp., of Bendix, N. J., under the Vidal process patents. A similar experimental plane was successfully flown last spring.

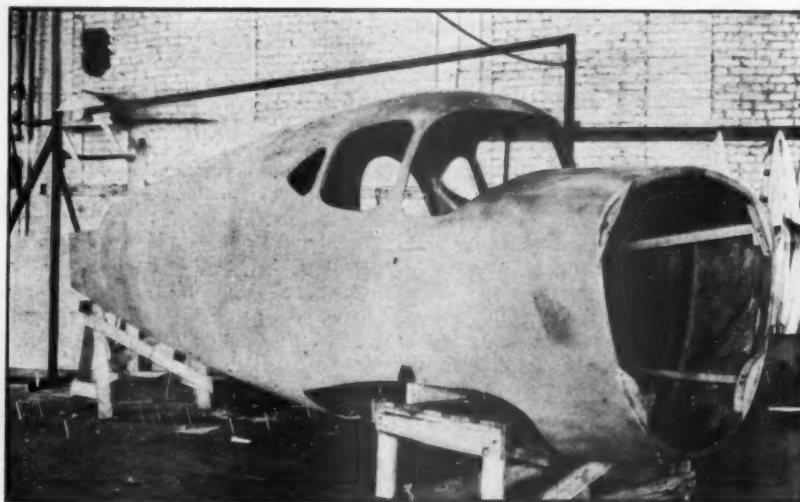
Two years ago, the Duramold plane with fuselage molded out of plywood and plastic hit the headlines (BW—Jan. 28'39, p32). This, a five-place job, was the cooperative product of Clark Aircraft Corp. (former subsidiary of Fairchild Engine & Aircraft Corp.) and Haskelite Corp., a pioneer in plywood manufacture and fabrication. After two years of hard use, it is still in the air almost daily, testing engines for Fairchild's Ranger Division. Although more than a dozen companies and individuals have been experimenting with plastic planes, the Summit and the Duramold planes are probably nearer commercial and defense production than any of the others.

To the non-technical eye there is little to differentiate the two planes other than size. But the Duramold fuselage was made in two longitudinal halves over a cast-iron die which, because of its shape, was called "the whale" by workers at the Haskelite Grand Rapids plant. There, layers of thin plywood were applied over the whale with a phenolic thermosetting plastic adhesive between. Over the plywood was placed a tight rubberized blanket. When steam was admitted to the whale's hollow interior it heated the half-fuselage until the plastic adhesive took a permanent "set."

• **Thermoplastic Adhesive**—Instead of a thermosetting adhesive, the Summit plane utilizes a thermoplastic one which softens when heat is applied at temperatures above that of boiling water, and solidifies as it cools. Unlike any thermosetting plastic, which polymerizes into an unchangeable solid when heated to a critical point, the thermoplastic compound can be heated and cooled many times without any essential chemical change in its composition.

Harold P. Moon, Summit's chief engineer and general manager, says: "If we want to replace a section on one of our planes, all we have to do is heat it good and hot, take it out, and fit a new one."

• **The Assembly Process**—Like the original Duramold fuselage, the Summit one is laid up with layers of thin plywood interspersed with adhesive, but



PLASTIC PLANE

Just out of the oven, where it has been cooked and cooled under the Vidal process, the plywood-plastic fuselage of the Summit HM-5 reveals construc-

tion details and places for two passengers. Not yet assembled are the low wings, the retractable landing wheels, and the stainless steel firewall abaft the 75-hp. Continental engine which powers the new craft.

on a collapsible wooden die which permits the molding of a whole fuselage at one crack. First, the elliptical rings which give shape to the plywood skin, after the manner of ribs in a boat, are molded in a separate operation. These are threaded on four pre-molded plywood longerons and the plywood and plastic skin applied. Over the whole comes a Neoprene (synthetic rubber) bag from which air is exhausted by a vacuum pump. The whole assembly then enters an oven, where it is cooked while the pressure of the atmosphere holds each layer of plywood closely in place. After the thermoplastic resin is thoroughly softened by the oven's heat, cold water sprays chill the assembly into a solid monocoque unit. A similar process forms the wings and tail.

• **Fundamental Changes**—Since the first Duramold job took the air, there have been changes not only in the corporate setup of its maker, but of its fundamental processing. Duramold Aircraft Corp. replaces Clark Aircraft, but is working just as closely with Haskelite. A government-inspired censorship permits these facts to leak through: (1) The whale has been abandoned for a female die of polished metal wherein plywood and plastic are laid; (2) steam heat is now applied to the same thermosetting adhesive through an internal rubber bag or "blanket" which swells up under steam pressure and sets the mass into a unified whole. Whether the new process makes fuselages in wholes or in halves is not disclosed. Soon, however, a new Duramold plane will be ready for the air with molded wings as well as fuselage.

• **What It Promises**—Stripped of technicalities of design and fabrication, the plastic plane promises three important things: (1) Speed of fabrication—one estimate calling for 20 fuselages per day per mold; (2) speed of repairs; (3) superior aerodynamic qualities by reason of smooth streamlined contours and absence of rivets.

\$20,000 GOLD RUSH

Time: present. Place: Newark, N. J., down on Thomas St., where they are scrubbing equipment, washing down walls and tearing up floors in the gold pen department of the old L. E. Waterman Co. fountain pen plant prior to removal to a new plant in New York City.

What the activity lacks in prospecting glamor, it gains in the certainty of recovering about \$20,000 in gold. Basis for the estimate is the annual recovery of more than \$50,000 through the systematic washing of work clothes, burning of old work shoes, scrubdown of walls and machinery, and filtering of all process water. According to William McKinley, gold pen boss, the \$20,000 recovery will cost about \$2,000.

NEW PRODUCTS

Salary Calculator

Most payroll calculators are aimed at easing the determination of total standard and overtime wages of workers paid by the hour. The "Rapid Calculator for Finding Overtime Earnings," a 12-page booklet published by Newton S. North, C.P.A., Lake Charles, La., has been developed to determine the earnings of salaried workers who must be paid for overtime under the Wage-Hour Law.

Anti-Sabotage Light

Designed especially for protecting industrial and construction operations



against sabotage at night, the new low-cost G-E Incandescent Searchlight is announced by General Electric Co., Schenectady, N. Y. It takes either a 1,000- or 1,500-watt bulb, and may be equipped with "pilot-house control," permitting inside control when the unit is mounted outside a building.

Drawer Partitions

If the partitions in your top desk drawers are not to your liking, you might try Par-Tee Drawer Partitions, which are adjustable to various space combinations. They are made by Eichhorn & Co., 18407 Winslow Rd., Cleveland.

Safety Flare

A lighted SavAlife Hi-Way Safety Flare will give you 40 to 60 minutes of bright amber illumination in wind, rain, or snow. National Safety Signal Co., 7140 S. Chicago Ave., Chicago, is now putting them up, twelve in a box small enough for the glove compartment of a car.

Photo Lacquer

Photographs treated with Kodak Print Lacquer may be washed with soap



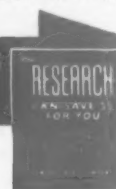
General All-Bound Box, assembled without nails, comes in one piece—easily, quickly set up.

• Defense should start at home. Packing and shipping methods in many plants have not kept pace with modern designing and manufacturing. Delays, unnecessary costs and damage are the hidden penalties.

Manufacturers of scores of different types of products have increased their handling and shipping speed, decreased material and labor costs and provided adequate protection for products in transit by utilizing the facilities of the General Box laboratories. Here skilled technicians determine the type of container best suited to meet each problem, or design special containers to fit individual requirements.

You can be sure that your products have the advantages of adequate protection and faster, safer, lower cost handling and shipping. Just send for the facts about General Box products and laboratory service. There is no obligation.

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Illustrated. Shows how products similar to yours are packed and shipped in General Boxes and Crates which effect important economies. Mail the coupon.

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AMERICA'S MECHANICAL SERVANTS owe their perennial youth and vigorous operation to the advantages of better design...and better design includes Hyatt Roller Bearings! Everywhere...on highway and railway; in field and farm, mill and factory...you'll find these machines on the go, with Hyatts *keeping them young* and always ready for action! Here's the recipe: To keep bearing wear and care out...put Hyatts in! Hyatt Bearings Division, General Motors Sales Corporation, Harrison, New Jersey; Chicago, Pittsburgh, Detroit and San Francisco.

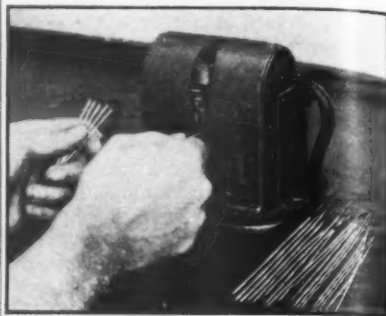
HYATT

ROLLER BEARINGS
QUIET

and water. Eastman Kodak Co., Rochester, N. Y., formulates the new material not only to protect prints from dirt, mildew, abrasion, and atmospheric discoloration, but to protect leather, metal, and other substances.

Wire Stripper

If fine stranded or solid wires are to be stripped of cotton, silk, or rubber



insulation, their ends are simply inserted in the Ideal Hot Blade Wire Stripper. A touch of a pedal throws two blunt, electrically heated blades into operation, and a twist of the wrist completes the job. Ideal Commutator Dresser Co., 1648 Park Ave., Sycamore, Ill., makes the new outfit for production jobs running as high as 12,000 strippings per day.

Fugitive Ink

To identify the production of various workers in a textile mill, United States Testing Co., Hoboken, N. J., has developed Stamptex, a fugitive stamp pad ink in several colors which washes out completely from all types of woven and knitted goods.

Quadruple Flash

When a button on either the right- or left-hand battery case of the Twin



Sol Synchronizer is pressed, all four flash bulbs are set off in unison with the camera shutter. It is the newest product of Heyland Research Corp., Club Bldg., Denver.

LABOR & MANAGEMENT

Ford's Epic Fight

Strike isn't likely this year, but seven years' war with union approaches climax as organizing drive is pushed.

Last week 50 newspapers in 25 cities carried full-page ads headlined with the query, "Does Ford Pay Good Wages?" The copy (see box) set forth facts about Ford wage rates, working conditions, and personnel policy. It ended with the statement that, "Anyone who wants to get a job . . . buy a car . . . or place a national defense contract on the basis of fair labor treatment must place the Ford Motor Company at the top of his eligible list."

Day after the Ford ad appeared, 50 organizers for C.I.O.'s United Automobile Workers were at the gates of the giant River Rouge works in Dearborn distributing a leaflet with the same headline, "Does Ford Pay Good Wages?" First line of the union's copy was, "The answer is NO!". Addressed

to Ford workers, the union statement concluded, "If you wish to establish really high wages and real safety in the plant, give your answer today by joining with your brothers in the U.A.W.-C.I.O."

• **Second Ad**—This week McCann-Erickson, Inc., Ford's agency, had another full-page ad, approved by the company and ready for insertion in another string of papers. "What's This about Labor Trouble in Ford Plants?" is the heading on this second shot of what may be a season-long campaign.

The official explanation for the campaign is that it has been requested by Ford dealers who are complaining that the C.I.O.'s propaganda barrage is getting attention in local newspapers, estranging prospective customers. Ford's labor relations department feels the ads suggest that the company is on the defensive when there is really nothing for the company to justify.

• **Free Space vs. Paid Space**—Lined up against McCann-Erickson copywriters in the contest for public opinion is a full-fledged U.A.W. publicity department under the direction of shrewd Edward Levinson, erstwhile star re-

What Ford Says—

ON WAGES

"Minimum wage scales for unskilled labor at the Rouge plant are the highest in the industry. Top wages for skilled labor compare favorably with, or are higher than, in other automobile companies."

ON WORKING CONDITIONS

"Out of its vast experience, the National Association of Underwriters has computed a national average [insurance] rate in automotive manufacturing plants that is in excess of \$1.50 premium on each \$100 payroll."

"The Ford Motor Company's working conditions are so far superior that the Ford cost of workmen's compensation is less than 50¢ on each \$100 payroll."

"In addition to the so-called regular employees, Ford has hired at the same regular hourly wage, thousands of workers who are blind, crippled, or otherwise incapacitated for normal productive work. They are on the payroll because of Henry Ford's belief that the responsibility of a large company to labor goes beyond the point at which the unfortunate worker can no longer produce profitably."

What U.A.W. Says—

ON WAGES

"Ford's average wage is 90¢ an hour. General Motors average is \$1 an hour. Chrysler's average wage is well over \$1 an hour."

ON WORKING CONDITIONS

"Ford's compensation costs are low because (1) Ford is self-insured; (2) Ford workers are terrorized, so that they are afraid to report many of their injuries or to press claims for compensation against company attorneys; (3) Many injured Ford workers are given jobs they can perform in the plant, so that they can pay their bills to the Ford hospital instead of receiving compensation. Ford then takes credit for supplying crippled and incapacitated persons with work."

"In hundreds of instances, once the company is out of danger from a suit, these men are then laid off."

Note: Company statements are quoted from a full-page advertisement placed in 50 metropolitan newspapers. The union's replies were contained in a leaflet distributed to 80,000 workers at the Ford Rouge plant in Dearborn.

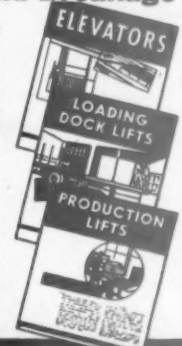
GLOBE LIFTS



Speed Loading and Lifting Save Time and Breakage

WHERE man-power lifting or loading slows up handling materials in your plant, Globe Hydraulic Lifts can help speed your operations. Engineered for the specific job you want done, they are low in first cost, low in maintenance.

WRITE for illustrated bulletins (examples shown at right) describing Globe Production Lifts, Loading Dock Lifts, Elevators, etc., showing how they are speeding operations in scores of industries. Engineering consultation service free.



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DES MOINES, IOWA PHILADELPHIA, PA.

You'll Want CONTROLLED Fluorescent Lighting! . . .

. . . when you see how you CONTROL this soft, shadowless light WHERE YOU WANT IT! A mere flick of the finger does it.



FARIES offers you the most modern developments in all types of lamps.

Exclusive FARIES baffle louvers in the shade give you lighting luxury never approached before. You actually guide the light rays uniformly to the working area of your desk. The greatest advance in lighting you can buy. Costs only \$13.50. Beautifully finished in rippled bronze with gold trim.

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LEADERS IN STYLE AND
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WRITE
for
Literature
and
PRICES

THE CAPITALS
BULL'S-EYE LOCATION
WILLARD HOTEL
ON HISTORIC PENNSYLVANIA AVENUE
WASHINGTON D C



When the U.A.W. tackles Ford at River Rouge, it tackles something big —1,200 acres big. Size alone makes it a plant almost impossible to strike.

porter of the New York Post and author of two best-selling books on labor ("I Break Strikes," and "Labor on the March"). Up to this week he had been doing pretty well in getting space for the union's contention that Ford was anti-labor, used violent, repressive, and unlawful methods in keeping plants open shop. But now it looks as though the slogan-making preliminaries are over, for U.A.W. vs. Ford has entered a new phase.

The union claims that it has been authorized by a majority of workers at the Lincoln plant to call a strike any time it sees fit. It is now pondering its strategy.

• **Test of Strength**—To be sure, Lincoln is not the River Rouge works, but it is Ford and it offers U.A.W. a first opportunity to demonstrate its strength. There are those in the councils of the union who want a Lincoln strike right away. They hold that a Lincoln strike can be effective, will be a great spur to unionization of the 80,000 men at Rouge.

To the argument that Ford can bring in 10,000 workers from Dearborn to man the Lincoln plant, they reply that Lincoln is in Detroit and the city administration will not permit the bloodshed that an attempt to break the strike will certainly evoke. And they contend that the organizing campaign at Rouge will gather in thousands of new recruits if Ford chooses to move the Lincoln job to Dearborn, for this faction believes that Rouge workers will be unwilling to "scab" on fellow workers at Lincoln, that they will, accordingly, flock into the union.

• **Fabian Policy**—Another group in the union, whose policies for the moment

prevail, urge caution. They favor awaiting the Labor Board poll at Lincoln which has already been petitioned for. They are convinced that Ford would welcome a strike, use it as an excuse for freezing out the union.

Ford's personnel director, Harry Bennett, though not resigned to a Lincoln strike, is clear about his policy in such an eventuality. "We'll keep the plant open for anyone who wants to work," he says, "but if there's trouble we'll close it and keep it closed like we did our assembly plant in Kansas City" (BW—Jan. 1, '38, p16). With the Ford Motor Co.'s present attitude, nothing

short of a Supreme Court decision will get it to sit down and bargain with representatives of the U.A.W.

• **Profit No Motive**—In other situations, unions have sought to capitalize on the profit motive of business. To win collective bargaining agreements, they have sought to demonstrate that it was more economical—more profitable—to make peace than to fight. Henry Ford is not interested in that kind of argument nor the kind of economy on which it is based. He doesn't have to worry about stockholders' demands for dividends, for the Ford Motor Co. is a closed corporation wholly owned by himself, his wife, and his son. He is sure he has the interests of his workers at heart, sure that if he deals with a union it will tell him how to run his business. He has said that before he deals with a union, he will put a padlock on his door and close up shop. And the main reason why Ford is not unionized is that a substantial number of his employees believe that he means what he says; they are convinced that just so long as the 77-year-old founder makes the company policy—though perhaps just so long—his ideas will prevail.

• **Claim and Counter-Claim**—Ever since its organization, U.A.W. has been pegging away at the company. Today it claims a majority of the 80,000 at the Rouge works; Harry Bennett credits it with 1,100 members there. Impartial observers fix its strength somewhere between, but agree that an effective strike at Rouge is inconceivable in the near future. One must conclude that the noise U.A.W. is able to make at Ford is out of proportion to its strength.

Nevertheless, Bennett is preparing for all possible contingencies; "experimental sabotage" is even under way at Dear-



Contact between the Ford Motor Co. and the U.A.W. is indirect, because Ford isn't talking to union representatives. So James F. Dewey (left), fed-

eral labor conciliator, brings Ford's point of view to the union, and the union's to Ford—via Ford's personnel chief Harry Bennett (right).

born, designed to discover departments which, if closed down, will cripple production. These departments are under special surveillance by the Ford service department and no one doubts that service men will be vigorous in dealing with employees considered potential "trouble makers."

• **No Showdown Now**—Actually, union plans do not encompass a strike at Rouge. Although U.A.W. and Michael Widman, organizational director for Ford, have planned for the unionizing campaign to reach its climax while 1941 models are still in production, and are consequently engaging in an "all out" effort which will take all U.A.W.'s available resources before August, a naked test of strength will be avoided. U.A.W. officials believe that Ford will not be any more amenable to collective bargaining if the union shows its power through striking than it will if the union wins a Labor Board election. Therefore the union will soon petition the board to hold a poll at Dearborn.

Even though the union cannot convince outsiders that it has a majority of Ford workers signed up, it is cocky about its chances for carrying an election. There are some reasons that may justify its cockiness: (1) Union sentiment is always stronger than that which is expressed by signed membership cards. (2) The very act of voting seems to operate as an affirmation of association; witness the fact that there are only a very few major Labor Board elections not carried by some union. (3) U.A.W.'s Ford drive has kicked up a lot of dust, could really go into the overdrive once the Labor Board has set an election date.

• **Backed by the Law**—In its present drive, the union is fortified by a steadily mounting pile of anti-Ford decisions—verdicts both of the Labor Board and the courts, some dating back as far as NRA days when Ford defied Section 7-A. Many of these, such as decisions growing out of Labor Board investigations of company activities in assembly plants in Dallas, St. Louis, Kansas City and elsewhere, have appeared to give government sanction to the charge that Ford uses extra-legal methods to fight unions. A Circuit Court decision at Cincinnati, for example, fixed responsibility for a 1937 riot at Rouge on the company and ordered 22 workers reinstated to employment. Although Ford has taken an appeal to the Supreme Court, the Circuit Court ruling provided a handy agitational springboard for union propaganda.

Out of that same riot, in which U.A.W. vice-president Frankenstein was injured, has come other organizing ammunition, for the riot was precipitated when Frankenstein and his union associates attempted to distribute handbills at one of the plant gates, deliber-

Carey Magnesia-Asbestos HEAT INSULATIONS

CUT PRODUCTION COSTS



Careycel Insulations
For temperatures up to
300° F.



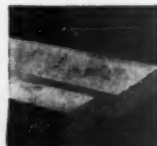
85% Magnesia
For High and Medium
Pressure.

MODERN industrial plants are saving thousands of fuel dollars each year through the correct application of CAREY Heat Insulations . . . a complete line of high efficiency insulating materials of Asbestos and Magnesia for every known service condition — for temperatures ranging from

Sub-Zero to 2500° F. Put your special problems up to Carey Engineers . . . their experience and Carey research facilities are available through branch offices covering the nation. Write Dept. 29 for book of interesting technical data.



Combination Hi-Temp—
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THE PHILIP CAREY COMPANY • Lockland, Cincinnati, Ohio

Dependable Products Since 1873
IN CANADA: THE PHILIP CAREY COMPANY, LTD. Office and Factory: LENNOXVILLE, P.Q.

Make your collection record this year an outstanding one

Suppose you could cut down your bad-account losses by one per cent and still have a bigger collection volume than last year — that *could* be something, wouldn't it? What are you doing right now to accomplish this record? A few ideas gained from the successful practice of seasoned collection men, as presented in this new book, may give you the stimulus you need to reach this goal. Certainly you cannot fail to secure a new grip on your collection problem, a new batch of ideas, from this sensible, down-to-earth manual.

Just Out—Dexter Tomlin's

HOW TO MAKE COLLECTIONS

Price only \$1.75

In a basic treatment suitable to the needs of all types of businesses, including retail, this book shows the general elements of the problem of collecting accounts while retaining the customer's good will, how to organize the collection department, how to make collections personally and by mail, how to handle different types of debtors.

how to use financial instruments, how to use the law, etc.

A practical manual for collection men and business men who handle their own collections. The chapter on cases which require special handling is worth the entire cost of the book.



CONTAINS 79

usable specimens of collection letters—including reminders, special problem letters, follow-up series, and stunt letters.

EXAMINE A COPY FREE—SEND THIS COUPON TODAY

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Send me Tomlin's *How to Make Collections* for 10 days' examination on approval. In 10 days I will send \$1.75 plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

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ately challenging a Dearborn ordinance forbidding such activity. This winter the courts held that ordinance unconstitutional and assured U.A.W. of its right to distribute literature unmo-lested.

• **Good Public Relations**—As it approaches the showdown now with Ford, U.A.W. is moving carefully so as to enlist public support. For example, recent discharges involving union men were denounced by U.A.W. as viola-tions of the Wagner Act, but they were not immediately made the subject of Labor Board complaints. Instead, the union sought the aid of the Conciliation Service, got Commissioner James Dewey to fly to Detroit last week for a publi-cized "investigation." Dewey conferred with Bennett, got assurances that lay-offs were made in the course of normal seasonal retrenchment, were not dis-criminatory.

Bennett, sure of his position and con-fident of Dewey's fair-mindedness, told the Commissioner he would see that all workers were rehired whom Dewey found were laid off because of union membership.

The union trumpeted this as a vic-tory, acclaimed it as the first time Ford had been pushed into accepting "out-side arbitration." To date U.A.W. has not documented its claim of discrimina-tion, apparently intends to file charges with the Labor Board after it has ex-hausted conciliation efforts—or appears to have.

Meanwhile other Labor Board cases—for representation and unfair labor practices—are being pressed. The De-fense Commission's labor policy is used to demand that Ford get no more gov-ernment business, used to turn employ-ees against the company's labor policy by suggesting that unless Ford deals with the auto union there will be no work coming from government jobs to keep Ford workers busy (BW—Dec.31 '40,p22).

But the underlying theme of the union's appeal to Ford employees is its record of collective bargaining achievements. Following a pre-Christ-mas lay-off of an estimated 300 workers, leaflets were distributed in Dearborn which said, "Chrysler gave a \$40 bonus for Christmas, Ford gave lay-offs." U.A.W. keeps hammering away at Ford employees with claims of what it has secured for other motor plant workers. Says the campaign literature, "We are not promising miracles. We are prom-ising to do just what we have already done in Chrysler, G.M. and 654 other companies."

Even though the union does not make the grade in 1941—and with the company's attitude what it is, such a success seems remote—the Ford Motor Company is in for attack and harass-ment for a long time ahead. Organized labor in the automobile industry will

never stabilize while the industry's sec-ond largest employer refuses to acknowl-edge its existence.

Curb on Mortimer

Frankenstein's arrival on West Coast expected to speed Ryan negotiations. Union feels pinch of public opinion.

While southern California aircraft executives talked increasingly this week of need for forming some kind of united front in their labor relations, contract negotiations between Ryan Aeronautical Corp. and the United Automobile Workers got off to a fresh start follow-ing three weeks of discussions which apparently had produced nothing but more friction.

Some much-needed oil for the nego-tiation machinery was being supplied by the arrival in San Diego last week end of Richard Frankenstein, U.A.W. International officer. As a trouble-shooter representing U.A.W. President R. J. Thomas, Frankenstein's actual function was to diminish the influence of Wyndham Mortimer, head of the California U.A.W., who with L. H. Michener, regional director, handled the recent Vultee strike and appeared to be maneuvering the Ryan situation into a similar impasse (BW—Jan.4'41, p29).

• **Reaction from the Public**—The union's predicament is this: The Vultee strike produced a hike in the minimum wage from 50¢ to 55¢ with an increase to 62½¢ after three months' employ-ment. That auspicious start called for further immediate triumphs. Demands were made on Ryan for a 75¢ minimum, the same as the original Vultee demand. The company is standing pat for 50¢ with an increase to 54¢ after four months' employment. Meanwhile, the nationwide uproar over Vultee affair had produced strong public impatience with aircraft strikes, a reaction clearly recog-nized by California U.A.W. officials.

President Roosevelt's latest fireside chat further consolidated public opinion against defense industry strikes.

• **A Tight Position**—The Ryan nego-tiations to date have placed Mortimer and Michener in a tight position, where they must either flout public opinion and threaten a strike to enforce their demands or back up on promises made to the rank and file which constitutes their strength.

Detroit officials, however, are in no such position. They are comparatively free to handle any buck passed to them by Mortimer and Michener as national U.A.W. policy dictates and can agree to a compromise on the wage issue.

That's why those close to the picture

were inclined early this week to expect less heat and more reason in the con-ferences taking place each morning at the Ryan plant in San Diego.

• **Policy Still To Be Clarified**—The pos-sibility of trouble was by no means re-moved, and the entire policy of U.A.W. toward the southern California Air-craft industry remained to be clarified. But observers felt that the guiding hand of U.A.W. national officers, as applied by Frankenstein, might bring to the West more of the peace that has been achieved in the East. Whether local rank and file, strongly favorable to the California leaders, is ready to coop-erate with the Detroiters should become apparent during the next couple of weeks.

Meanwhile, the CIO is able to cele-brate a minor triumph over the com-peting A.F.L. Machinists. An NLRB election at the Los Angeles plant of Harvill Aircraft Diecasting Corp. last week gave U.A.W. 162 out of 258 votes cast. The Machinists got 47 while 49 employees voted for neither of the two competitors.

Wages Increased

Rail workers will benefit by new minimums. Raises grant-ed by TVA (on basis of survey) and by various companies.

A raise is good news for any worker. Last week, labor as a whole took it as good news when substantial raises were announced for large groups of workers and it became apparent that further increases—following the business cycle's upward curve—may be in the cards.

• **Railroad Minimum**—For example, ap-proval was given last week by Col. Philip Fleming, wage-hour administra-tor, to the 36¢-an-hour minimum wage previously recommended for trunk-line railroads by the railroad industry com-mittee (BW—Dec.28'40,p34), operat-ing under the provision of the Fair Labor Standards Act that authorizes industry-recommended minimum wages. Also approved was a 33¢-an-hour mini-mum for employees of short-line roads.

When the new wages go into effect on March 1, they will mean an annual wage increase of about \$7,000,000 for some 70,000 track workers, red caps, dining car waiters, and Pullman Co., Railway Express Co., and terminal com-pany employees.

• **Increases by TVA**—Simultaneously, increases were announced for 10,000 employees of the Tennessee Valley Au-thority. These raises, aggregating \$1,000,000 annually and effective as of Jan. 1, were negotiated at the sixth annual wage conference of the authority and the TVA Trades and Labor Coun-

cil. The council is an A.F.L. organization of 15 unions in the valley with which the TVA signed a contract last fall virtually guaranteeing a closed shop (BW—Aug. 17, 40, p37).

Action of the wage conference was in accordance with the TVA Act, which provides that the authority must pay wages equal to those paid for similar work in the valley by private employers, and was the direct result of an annual TVA wage survey that had indicated an upward trend of wages throughout the valley. This year's increase was negotiated on a 12-month basis only and wages will be subject to further change—up or down—at the beginning of 1942.

• **White Sewing Machine**—In Cleveland, 860 production workers of the White Sewing Machine Corp. were granted a general 4½¢ an-hour increase under the terms of a new contract between White and the C.I.O. United Electrical, Radio, and Machine Workers Union. The new wage rate will add about \$75,000—or 5%—to the company's annual payroll of \$1,500,000.

• **Budd Raises Scale**—A new contract between the C.I.O. United Automobile Workers and the Budd Wheel Co. and the Edward G. Budd Mfg. Co. was also signed this week, granting wage increases and vacation bonuses for 6,000 employees totaling approximately \$400,000 a year. The contract provides for boosts of 3¢ to 8¢ an hour as well as a 2% bonus—based on total earnings of the two firms for 1940—to be paid in May to all employees. Minimum hourly wage rates are set at 75¢ for women and 78¢ for men.

• **New Fisher Body Pact**—U.A.W. further approved a proposed contract for 400 production workers at the Cleveland Fisher Body plant which provides for distribution of \$78,000 in wage increases. The agreement will boost the plant's basic pay scale for the 400 workers from 85¢ an hour to 90¢ an hour.

ELKLAND CASE CLOSED

When two workers who went on strike three and a half years ago against the Elkland (Pa.) Leather Co. returned to work last week and received a total of \$4,900 in back pay, the last chapter of the stormy Elkland case was finally closed. The company was convicted by the National Labor Relations Board of unfair labor practices—fostering a company union—after a strike of about 300 men for higher wages and representation by a union other than the Elkland Leather Workers Association.

The company carried the board's decision to the U. S. Circuit Court of Appeals, which ruled for the men, and Elkland lost the final round of its court fight in November. At that time, the Supreme Court refused to review the case, and the company has since withdrawn its recognition of the E.L.W.A.

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HOUSING

Low-Cost Homes

Coast plan which enables client to make down payment with own labor on construction puts FHA loans into new field.

This week, in the busy seacoast farming city of Watsonville, Calif. (apples, lettuce, artichokes), was held the second annual progress meeting of participants in an enterprise which is successfully placing families of the lowest income group in the home-owner class.

Started quietly two years ago as a means of stabilizing migrant families found in shelters and auto camps, the program is being watched closely by Coast business executives and sociologists, and is now being extended to nearby San Jose and Monterey and to Stockton in the San Joaquin Valley, center of Okie migration.

• Not to Be Confused—The "you-help-build-it" scheme is not to be confused with the plan used by M. V. Hartranft in southern California under which migrants acquire idle, repossessed land from banks (BW—Mar. 9 '40, p24). The Watsonville project originated with John and Tom Porter of Central Supply Co. (interested in selling building materials) and Edward and Florence Pfingst (who had available land). Aside from being a boon to the poor, it is turned out to be profitable to promoters, the John T. Porter Co. and Pioneer Homes.

More than 50 homes have been completed and 30 more are under construction. From an original tract of 13 acres, the project has grown to tracts totaling 1200 acres. Building sites range from two-acre farms to city lots.

The majority of the clients of the new plan are in the income group below \$1,000 a year, a field hitherto virtually untouched by the Federal Housing Administration. (While 37% of the American people earn between \$1,000 and \$1,500 annually, only 3.9% of the administration's loans are in this classification.)

• Labor Down Payment—Principle of the plan is that the buyer is allowed to meet the down payment by contributing his labor in the construction of the house. Labor on the job is divided into various subcontracts at a pro-rate figure, determined by the builder and based on records of similar work at union rates. The buyer, on signing the application for the house, is offered any or all these labor subcontracts that he is qualified to accept, payment for which is applied to the purchase price of the house.

No cash whatsoever is required from the buyer, but to fulfill Title Two, FHA loan regulations, the purchaser must contribute work equal to a minimum of 10% of the purchase price plus closing charges. The buyer is obliged to prove his ability to handle certain subcontracts, although even the unskilled laborer by digging foundations, pouring concrete and handling lumber can meet minimum requirements. The buyer with a slight amount of skill can acquire additional equity.

• Four Price Classes—Surprising feature of the deal is that penniless families are treated as cash-on-the-line buyers. Four price classifications, ranging from \$2,600 to \$3,800, are meant to keep the buyer within bounds of his earnings prospects. Within these classifications he is allowed to choose his site and to select his home design with variations from standardized plans.

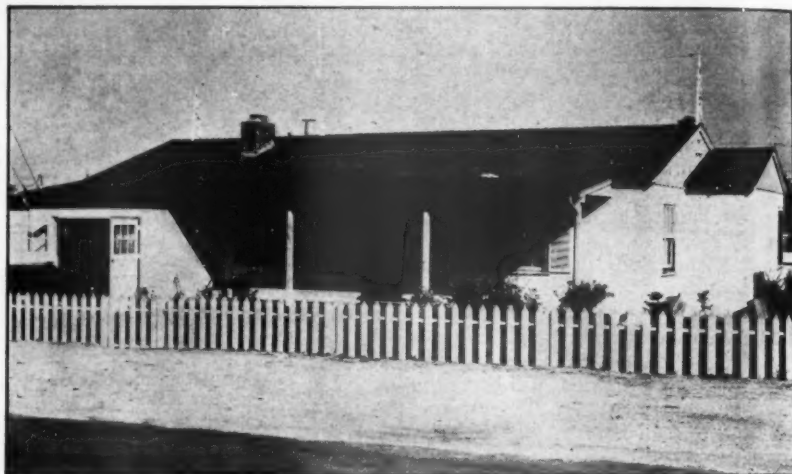
For the lowest income the two-acre farms are recommended. The majority

of these buyers are able to supplement their earnings with cows and chickens by \$100 to \$200 a year.

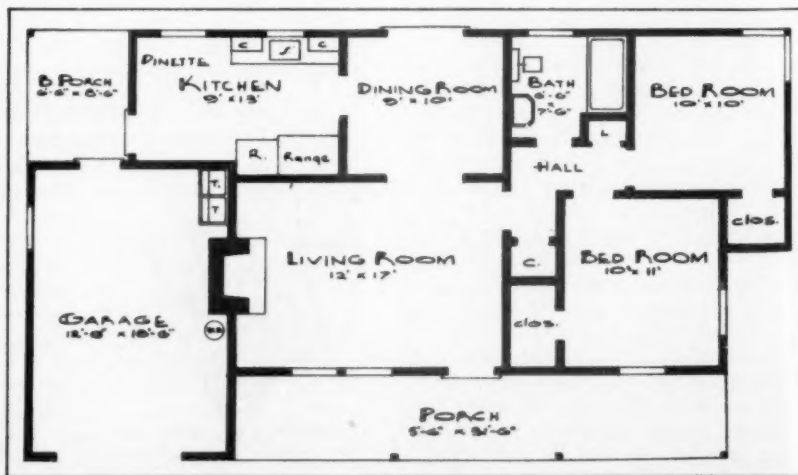
• Typical Deal—Houses even for the poorest families are of attractive design and good construction. A typical deal for a migrant family is as follows: The buyer is shown a cost sheet of his chosen house from which he selects the work he thinks he can do. The construction may amount to \$2,734, lot \$350 and closing charge \$125—total \$3,209. Such a deal requires approximately \$375 worth of work, of which about \$325 is equity in the house and the rest applied to such charges as fire insurance, taxes, FHA insurance and interest.

The buyer learns that he is entitled to a \$14.85 shoveling contract and \$41 for digging the septic tank and 45 ft. of drain. Various other contract figures, in accordance with the cost classification of the house being bought, are shown for roof sheathing and shingles; verge and cornice; rustic; lathing; laying floor; and so on.

• Unions Cooperate—Fortunately for the plan, unions in the district have revised their restrictions to allow a qual-



A typical home in the Watsonville, Calif., project for low-income families.



ified person to do any work to establish an equity in his own home. Only in the skilled work requiring inspection, such as plumbing and wiring, must he show a union card. Here, also, there is some additional leeway to help the struggling buyer. In San Jose, for instance, the home owner may be employed as the plumber's helper for part of the job and is allowed to do his own painting provided it is started and finished by union labor.

Unlike the Hoess "Basic House" program (BW-Jul.22'39,p20), which allows skilled factory workers to buy unfinished houses which do not have heating, electrical fixtures, or plumbing, the Watsonville plan sees that all these features are installed. And, unlike the Joseph F. Wagoner experiment at Glen Ellyn, Ill. (BW-Nov.11'39,p23), the new plan does not allow the purchaser to take possession of a shell for which he must furnish material and labor for interior finishing.

• **Started in 1938**—Learning from early mistakes, the Watsonville experimenters worked out the present plan the hard way. The idea first came to them in 1938 as a means of rehabilitating homeless migrants. The original 13-acre tract was unsuitable for ordinary farming. Auto camps in the region with a minimum rate of \$15 per month or \$5 per week for two rooms and car parking were overcrowded. To the consternation of local business men, the promoters endorsed home loans to the first 45 applicants to enter their doors, although the majority were penniless.

The real estate men argued that even a person of financial instability would endeavor to hang onto a home that he could buy for less than his rental for inferior accommodations. In this they were correct, for although 31 of the 45 test clients earned less than \$1,000 per year (four earned less than \$600), only one was unable to keep up on payments.

• **Early Mistakes**—Insufficient architectural supervision and laxity in allowing clients to do too much of their construction work were the major mistakes of the original experiment. Under the early provisions of Title One, Class Three, FHA loans were available for most any sort of home structure costing less than \$2,500. The result was a tract of homes inferior to what the altruistic realtors had hoped for the migrants. Another outcome was temporary privation when clients neglected their own seasonal jobs to complete their homes.

Under the present set-up, which provides for homes considerably more expensive than those offered by most similar housing programs, there is more supervision of the client's interest. Any construction labor that interferes with the purchaser's normal income is discouraged.



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FINANCE

Getting the Jump on Inflation

With member banks' excess reserves at \$7,000,000,000 peak, Federal Reserve System asks Congress for power to double amount of required reserves, if necessary.

Inflation is one of those things nobody would have much hope of controlling once it got a good start. That's why the Federal Reserve System has gone to Congress asking for some basic changes in the laws designed to afford federal control over expansion and contraction of credit.

The action of the Reserve was hardly a surprise. Leading bankers all over the country for months had been advocating some sort of precautionary measures. Vague talk about curbing inflation began to issue from Washington a good while ago. And Marriner S. Eccles, chairman of the system's Board of Governors, in a recent speech outlined a plan which embodies most of the points made in the current report to Congress. Hence the program already is being called the Eccles plan.

• **The Credit Base**—Furthermore, the stage had been all set. The headlong rush of gold to these shores has made possible credit expansion in the United States vaster than the wildest dream of a few years back. The Treasury now holds about \$22,000,000,000 of the yellow metal. Deduct the Stabilization Fund's holding and amounts pledged under Federal Reserve notes and certain Treasury notes, and there still would be \$17,660,000,000 in gold upon which to expand (see chart). Such a gold stock, under present circumstances, would support about \$280,000,000,000 in bank deposits—more than five times the existing total.

It is safe to say that the Federal Reserve authorities don't see any immediate five-fold expansion in bank deposits. But they are fully aware that potential credit expansion is breathtaking. Moreover, they have been watching the nation's industrial activity rise to record levels, and they know that it is due to go materially higher under the impetus of national defense orders.

• **Curbing Speculation**—This industrial boom means that business is bound to need a substantial amount of bank credit. This demand the Federal Reserve will take care of, you may be sure. However, the banking authorities are equally certain to try their best to prevent a speculative boom growing up alongside the industrial boom. That's why they want new powers over the country's credit structure.

The program is twofold. The Federal Reserve's board wants new powers to be sure that it can do certain things, and it wants also to be sure that certain existing powers of the President and of the Treasury are eliminated.

Among the new powers asked, the most important is that which would empower the Federal Reserve to compel member banks to post much larger reserves against their deposits. A member bank in Chicago today has to have a reserve of \$22.75 against each \$100 of deposits; that is \$1 of reserves supports \$4.39 of deposits ($100 \div 22.75$). Thus if the bank has \$100,000 of excess

reserves, it is in a position to increase its deposits by \$439,000, which is tantamount to increasing loans by that amount.

• **What the Reserve Wants**—However, if the bank were required to put up a reserve of 52% instead of 22½% it is obvious that it could not pyramid its excess reserves to anything like the same extent—excess reserves of \$100,000 would permit an expansion of only \$192,000 in deposits.

The following tabulation shows the present maximum and minimum levels for reserve requirements as prescribed by law, and the proposed maxima and minima, for the various classes of member banks:

	Present		Proposed	
	Mini-	Maxi-	Mini-	Maxi-
	num	num	num	num
Central Reserve Cities (N. Y. and Chicago)	13%	26%	26%	52%
Other Reserve Cities	10%	20%	20%	40%
"Country" Banks	7%	14%	14%	28%
Time Deposits (all banks)	3%	6%	6%	12%

The Federal Reserve System tried out manipulation of reserve requirements as an instrument of credit control in 1936 and 1937. In the summer of 1936, re-

THE NATION'S CREDIT POTENTIAL

A step-by-step account of major changes due to (1) increases in the U.S. gold stock (2) shifts in domestic monetary policies

		GOLD HOLDINGS* TOTALING:	AMOUNTED TO:	AND WOULD SUPPORT BANK DEPOSITS OF:
			(Figures in millions of dollars)	
1	At the end of 1933	84 million ounces	@ \$20.67 \$1,745	\$50,000
2	Feb. 1, 1934 — after gold revaluation and formation of stabilization fund	64 million ounces	@ \$35 \$2,227	\$64,000
3	August 14, 1936, prior to first boost in member bank reserve requirements	203 million ounces	@ \$35 \$7,114	\$203,000
4	August 15, 1936, after 50% boost in reserve requirements	203 million ounces	@ \$35 \$7,114	\$136,000
5	March 1, 1937, after second boost in reserve requirements	202 million ounces	@ \$35 \$7,075	\$115,000
6	May 1, 1937, after boost in reserve requirements to legal limit	190 million ounces	@ \$35 \$6,650	\$95,000
7	April 16, 1938, after sterilization of \$1,400,000,000 of gold, and reduction in requirements	263 million ounces	@ \$35 \$9,217	\$150,000
8	Dec. 31, 1939 — gold holdings have mounted steadily	392 million ounces	@ \$35 \$13,713	\$223,000
9	Jan. 1, 1941 — Reserve Board proposes increase in authority to raise reserve requirements	505 million ounces	@ \$35 \$17,666	\$288,000
10	If reserve requirements are boosted to current legal limits	505 million ounces	@ \$35 \$17,666	\$252,000
11	If 100% boost in reserve requirements (as proposed) were to be put into effect — an unlikely contingency	505 million ounces	@ \$35 \$17,666	\$126,000

*Excludes gold in stabilization fund, inactive gold, and gold reserves for Federal Reserve notes and certain Treasury notes.

© BUSINESS WEEK

quired reserves were at the minimum levels shown in the left-hand column of the table. Then, in three successive boosts over the next 10 months, they were raised, until on May 1, 1937, they stood at the present legal maximum, and there they stayed for about a year. In April, 1938, they were reduced to 22½%, 17½%, 12%, and 5%, respectively, the levels which have been in force ever since.

• **Today's Problem**—The problem faced by the Reserve authorities in 1936 was by no means as dangerous as that today. Excess reserves of member banks at that time had risen to a total of \$3,167,000,000. By boosting requirements to the legal maximum, the Federal Reserve System cut excess reserves to about \$800,000,000.

Now, however, excess reserves are nudging \$7,000,000,000. By increasing reserve requirements from existing levels to the legal maximum, the Reserve authorities could lop only a little more than a billion dollars off that figure. Suppose there remained about \$5,750,000,000. That could be pyramided to almost \$30,000,000,000 of credit. But if the Reserve System had the power to double the present legal maximum it could completely wipe out present excess reserves and send the member banks to their Federal Reserve banks to discount paper in order to post a \$2,500,000,000 deficiency (chart p. 48).

• **Squeeze Play?**—Another important suggestion of the Federal Reserve System is that state banks (except savings banks) which are not in the system be subjected to the same reserve requirements as member banks. This would be important because it would eliminate an incentive for member banks to pull out of the system to secure the advantage of less rigorous reserve requirements. Less significant, it would eliminate the modest amount of inflation which could be supported by the state banks.

However, any action of this sort immediately draws the howl of "squeeze play!" from those who perennially fear that something will be done to force state banks into the Federal Reserve System. This group has pretty vocal representation in Congress, so that the fate of this suggestion is in doubt.

• **Restrictions Suggested**—Proposals of the Federal Reserve which would scrap instruments of an inflationary character now in the hands of the President and the Treasury include the following:

The President's power further to devalue the dollar (by boosting the price of gold from the present level of \$35 an oz. to as high as \$41.34) would be rescinded.

The President's authority to order issuance of \$3,000,000,000 in greenbacks (without any backing of either gold or silver) would be ended.

The Treasury would be required to

sterilize gold coming into the country because this gold influx is the thing that is running excess reserves up. Although the report doesn't suggest the method of sterilizing, it presumably would be that used in 1936 and 1937—sale of Treasury notes in amounts equal to the incoming gold. This gold would be revitalized only after consultation with the Federal Reserve's open market committee.

The Stabilization Fund, although continuing normal operation, would be asked not to do anything which would affect bank reserves unless it had consulted with the open market committee.

The power of the Treasury to buy

foreign silver at low prices (it now pays 35¢ an oz.) and issue \$1.29 in silver certificates against each ounce would be rescinded.

• **Points of Policy**—The other recommendations in the Reserve System's report are in the nature of suggestions of general policy. It advocates that the Treasury be allowed to sell obligations which are not tax exempt and that an effort be made to sell bonds to the public and not to the banks. Higher taxes also are advocated in order to avoid vast deficit financing to meet both ordinary expenses of government and the necessary outlay for national defense. But, even with higher taxes, the Reserve authorities recognize the fact that

The Marine Midland TRUST COMPANY OF NEW YORK

★ Statement of Condition as of December 31, 1940 ★

RESOURCES

Cash and Due from Banks	\$83,075,603.73
United States Government Obligations	20,961,809.41
Short Term State and Municipal Bonds . . .	12,387,168.24
Federal Intermediate Credit Banks Debentures	3,834,803.52
Other Bonds and Investments	3,740,255.59
Demand Loans Secured by Collateral	13,219,208.53
Time Loans and Bills Discounted	40,471,871.28
Mortgages Owned	3,753,330.29
Other Real Estate Owned	98,358.13
Customers' Liability for Acceptances	1,275,389.96
Accrued Interest and Other Assets	406,064.92
	<u>\$183,223,863.60</u>

LIABILITIES

Capital	\$5,000,000.00
Surplus	5,000,000.00
Undivided Profits	5,005,944.61
	<u>\$15,005,944.61</u>
Reserves	333,335.73
Acceptances	1,407,510.37
Other Liabilities	2,316,262.66
Deposits	164,160,810.23
	<u>\$183,223,863.60</u>



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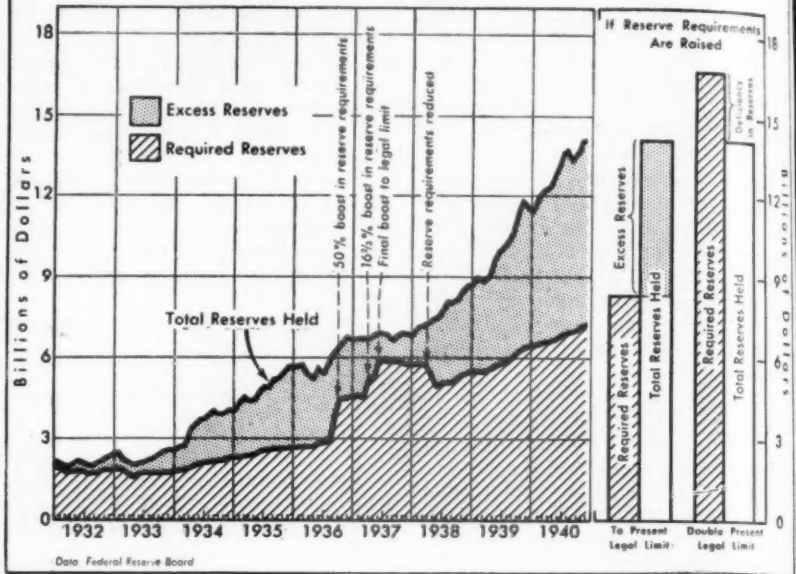
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THE CREDIT BASE FOR INFLATION

As Eccles Prepares to Curtail Excess Reserves



Monetary experts long have watched with mounting alarm the expansion of Federal Reserve member banks' excess reserves to an almost unbelievable peak near \$7,000,000,000. It has been recognized that the Reserve authorities could lop about a billion dollars off this figure by boosting required reserves to the present legal limit, but a billion wouldn't make much difference. Now, to broaden

its powers to control credit expansion, the Federal Reserve Board has asked Congress to change the present maximum on required reserves into the legal minimum and give the board the right to raise requirements as much as 100% above the proposed new minimum level. As the right-hand bar in the above chart shows, the board then could in an emergency wipe out excess reserves altogether.

the government debt limit should be raised from its present \$49,000,000,000 level.

And, in terms that are mild but significant, the Federal Reserve System urges that the federal budget should be brought into balance as soon as the national income rises sufficiently to make such a course possible.

• **Restraining the Public**—The suggestions that the Treasury's bonds should be sold to the public and that taxes should be raised have a certain relation to the inflation problem. As national income rises, it is only natural that public purchasing power will increase. But if the rank-and-file of the populace buys government bonds as a patriotic duty, then there will be that much less purchasing power to buy goods and push up prices. Moreover, if taxes go up and the budget is balanced, the federal deficit spending will not continually be raising the national income and prices.

There has been a lot of gossip about some phases of the Reserve's program facing opposition from the White House—particularly in connection with the proposal to eliminate the President's

powers (1) to devalue the dollar further and (2) to issue the three billion dollars of greenbacks. It is true that President Roosevelt has not given the report his official blessing, and has said that he must study it further.

• **President Represented**—Yet it should be borne in mind that the report is the careful opinion of some 30 men—the governors of the Reserve Board, the presidents of the 12 Federal Reserve Banks, and the Federal Advisory Council. It's the first time since the formation of the Federal Reserve System that these three groups have made a report to Congress. Moreover, Secretary Morgenthau and Lauchlin Currie, personal adviser to the President on economic matters, conferred with the Reserve authorities while the report was being prepared. So it doesn't look like White House objections are too serious.

Immediate reaction of the Treasury bond market to the Reserve System's report was bearish. Investors figure that, if banks' excess reserves are to be reduced, we have seen the lowest interest rates that we are going to see. This is indicated in the following tabulation of

representative Treasury bonds (decimals represent 32nds of a point):

	1940 High	1940 Low	Price Dec. 30	Price Jan. 7
4½s of 1947-52..	122.20	117.2	122.4	121.12
2½s of 1948.....	110.31	105.13	110.21	109.17
2½s of 1955-60..	111.30	104.20	111.20	110.2
2½s of 1956-59..	111.3	103.24	110.30	109.13
2½s of 1960-65..	111.27	103.15	111.9	109.23

• **Millions Affected**—The extent to which interest rates may be expected to rise and bond prices, conversely, to decline is a matter of paramount interest to the financial world. It means that institutional investors that have bought bonds at a premium and haven't written them down to par value will suffer paper losses at least. On the other hand, it means that henceforth they will be able to make more on the money they loan and the bonds they buy. This prospect of higher interest rates will be important to millions of people because the rate of interest governs the rate of return to everyone who buys life insurance or puts money into savings banks.

• **Banks' Point of View**—When reserve requirements were raised in 1936 and 1937, the banks sold government bonds in varying volume for almost a year. The result was a major interruption in the long upward swing in bond prices. This time they may not be so anxious to sell. In 1936, the banks had been wedded to the government bond market for a relatively short time. They thought of divorce as a not very serious matter. Today, after more experience with this union, they probably are more reconciled to the idea government bonds—like it or not—will remain for a long time the largest item in banks' earning assets.

THE MARKETS

Optimistic—But Cautious

Taxes were the main topic of conversation throughout the financial community this week. As had been expected, the President indicated Monday in his message to Congress that higher taxes should be levied. This was emphasized in his budget message, although the extent of the boost and the methods to be used were not outlined.

Of course, the prospect of new and higher taxes is not one to make for speculative enthusiasm. Yet it is worth noting that the undertone of most markets remained one of subdued optimism.

Stocks, despite the deterrents of promised higher taxes and over-the-counter liquidation of British-owned American stocks, have been creeping upward for more than two weeks. Commodities, which are less influenced by outside factors than by the supply-demand situation, have added fairly substantially to the consistent rise of the last five months.

Best prices in many months for hogs,

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition,

December 31, 1940

RESOURCES

CASH AND DUE FROM BANKS	\$1,672,535,043.37
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	1,098,107,661.27
STATE AND MUNICIPAL SECURITIES	131,015,063.03
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	173,132,797.85
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	664,189,467.87
BANKING HOUSES	35,302,430.54
OTHER REAL ESTATE	7,370,349.59
MORTGAGES	10,379,106.94
CUSTOMERS' ACCEPTANCE LIABILITY. . . .	15,987,575.78
OTHER ASSETS	10,367,650.56
	<u>\$3,824,403,346.80</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	36,212,199.17
	\$ 236,752,199.17
DIVIDEND PAYABLE FEBRUARY 1, 1941 . .	5,180,000.00
RESERVE FOR CONTINGENCIES	11,271,350.40
RESERVE FOR TAXES, INTEREST, ETC. . . .	1,396,654.73
DEPOSITS	3,543,337,564.42
ACCEPTANCES OUTSTANDING	17,854,436.92
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	230,671.42
OTHER LIABILITIES	8,380,469.74
	<u>\$3,824,403,346.80</u>

United States Government and other securities carried at \$181,325,330.00 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

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hides, and the edible oils were among the features of this week's trading. Hog prices have been benefiting from the prospect of smaller marketings throughout most of 1941 while demand is expected to rise due to larger consumer incomes. Smaller hog slaughter also presages lower lard production, and this strengthens other edible oils.

Demand for hides has been well above seasonal expectations, apparently due to the hide-and-leather trade's belief that 1941, aided by government orders, will be an exceptionally good shoe year. Sale of 6,000 ex-light native steer hides at 15½¢ a lb. on Tuesday emphasized this situation.

In anticipation of government efforts to get a further cut in 1941 cotton acreage, contracts for cotton deliverable next autumn jumped about \$1.50 a bale on Wednesday while nearby futures were up only slightly. The distant deliveries in which the rise took place represent cotton from the 1941 crop; they had been lagging substantially in relation to short-term contracts for 1940 cotton.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
50 Industrial	105.0	103.3	103.9	121.5
20 Railroad	29.1	28.9	28.7	31.9
20 Utility	55.1	54.3	53.7	71.4
Bonds				
20 Industrial	90.5	90.3	90.2	87.5
20 Railroad	62.8	62.2	61.0	59.3
20 Utility	101.1	100.7	100.9	102.3
U. S. Government	110.4	111.7	112.0	107.9

Data: Standard Statistics except for government bonds which are from the Federal Reserve Bank of New York.

BUSINESS ABROAD

A New Latin Policy

Hemisphere program of Washington now expanded to include and safeguard economic interests of Great Britain.

A necessary change in policy has developed in Washington since last June when President Roosevelt announced with unexpected fanfare the plan for a great Pan-American trade cartel (BW—Jun. 29 '40, p. 15).

The hemisphere economic program is not being abandoned but insiders have become aware during the last few weeks that it is rapidly being merged into a far broader program which will include also the British Empire.

The shift in Washington's thinking shows up in a dozen little moves each week.

• **Wool, for Instance**—Not long ago the United States made a deal with Britain to store 250,000,000 lb. of Australian wool in the United States, and agreed that it would be shipped from Australia in British vessels. No outright sale is in sight for the near future though the United States is protected from any wartime shortage by having the wool within its borders.

But hemisphere planners remarked that it would be difficult to encourage Argentina to develop Australian-type wools for this market as part of an intensive hemisphere self-sufficiency program so long as this backlog of the Australian product was stored within our borders.

• **Tin from Bolivia, But**—Washington may announce almost any day that plans for building tin smelters in this country are complete, and that we will soon be ready to smelt the 18,000 tons of low-grade ore that we have agreed to buy from Bolivia during each of the next five years. Again ardent hemisphere planners have been quick to point out that Bolivia can easily produce 45,000 tons of ore a year and this country could absorb many times that amount.

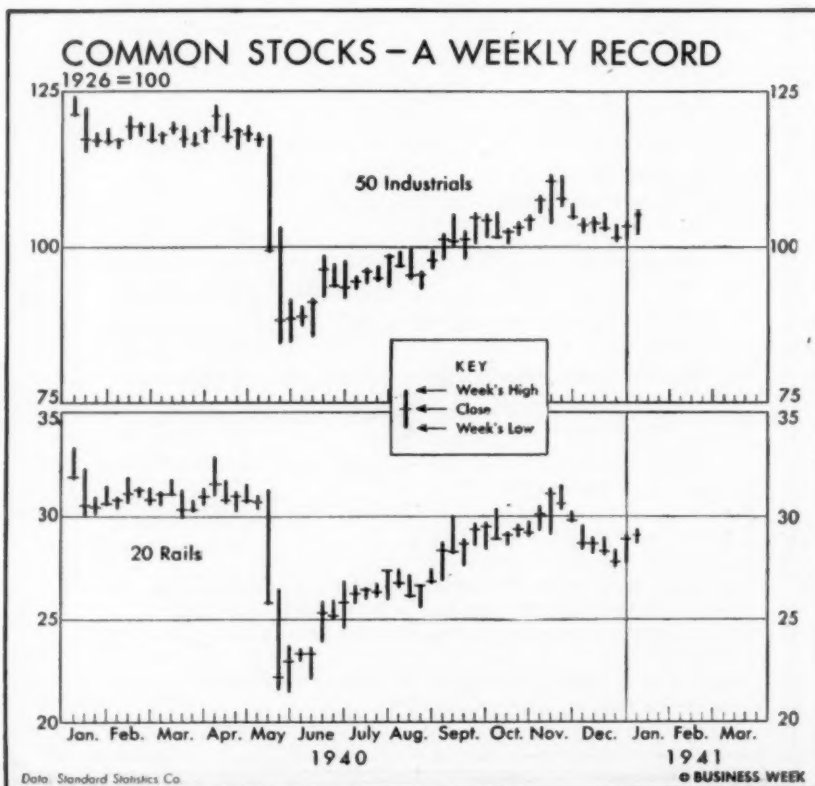
Insiders know that we are not taking all of Bolivia's ore because British interests want to continue to smelt it at home after the war and get the usual refiners' profits. Since the United States ultimately buys half the world's tin, we could force a neat bargain with London during the present emergency if we really wanted to. But we won't, because this country has adopted a definite policy of cooperating with Britain.

• **Brazilian Cotton to Canada**—A few weeks ago, Brazil sold Canada 250,000 bales of cotton at a price 1½ cents lower than the United States quoted. And yet this country has more than 13,500,000 bales of surplus cotton which it could offer Canada at an attractive price. But it is our policy to help both Brazil and Canada, and right now the Dominion needs to conserve its supplies of American dollars for airplane engines and steel which only the United States can supply.

This is the conflict in economic planning that has developed since Britain withstood the German onslaught last September and the United States decided to cast its lot with the British for an all-out war on the Rome-Berlin-Tokyo Axis. It accounts for the slowing down of last summer's feverish and not-always-sound plans for building the Western Hemisphere into a neat, isolated economic bloc, no matter what the initial cost.

• **Reason for Change**—The change in philosophy in Washington is explainable and excusable. When President Roosevelt last June shocked even his most intimate advisers by rushing out the announcement of the cartel plan before there had been time to study it and iron out the weaknesses, a heavy pall of anxiety hung over every world capital.

Rotterdam had recently been reduced to a shambles by the Nazi onslaught;



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All this led Dow in 1915 to undertake an important enterprise—the development of its own processes for the production of magnesium. Its object was the creation of a low-cost domestic supply. The result was DOWMETAL^{*}, a series of magnesium alloys that are now regarded as indispensable to American industry.

DOWMETAL is being used for airplane and other transportation units, tractors, conveyors, portable tools, household appliances, scientific equipment—and the scope of its uses grows with increasing rapidity.

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*Machinist William Romine, Jr., South Bend, Ind.,
at a toolroom lathe, machining a special landing-gear part.*



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Brussels and Paris had fallen; German troops lined the Channel facing the chalk cliffs of Dover only 25 miles away. It looked as though England's hour had come, and that Hitler's blitzkrieg might succeed in battering down the last resistance to affective control of all Europe and its Empires.

• **A Yell from Berlin**—How shrewdly the President anticipated Nazi reaction became evident in a few days. When Congress in those dark days voted \$15,000,000,000 for battleships, planes, and

tanks to defend America, the Germans made almost no comment. But when Washington announced the cartel scheme to handle the surplus products of the Americas, Berlin cried bloody murder.

Since that time the hemisphere program has been pushed by the organizations which are functioning under the supervision of Nelson Rockefeller and progress is considerable.

Brazil has received a \$25,000,000 loan and a promise of technical aid in

the development of a domestic steel industry.

• **Loans and Meat**—Argentina has received loans from the Treasury and the Export-Import Bank amounting to \$110,000,000. Buenos Aires reported this week that the backbone of United States opposition to its meat products may have been broken by a test case in which an experimental lot of Argentine frozen meat was sold to restaurants and hotels in New York after first having been heated to 69 degrees Centi-

British Economic Ruler Says War Aim Is Social Security

A former truck driver this week became the head of Winston Churchill's four-man brain trust to direct Britain's war production, but it surprised no one in England.

Ernest Bevin, the onetime trucker, today is Britain's Minister of Labor and, after Churchill, is the most powerful figure in his country. Since the ousting of the Chamberlain government last May and the creation of the Churchill regime, Bevin has had full charge of organizing the war on the domestic and economic fronts. His word is law. He has full command over production, wages, and working hours. He alone can determine what industries are indispensable for war purposes, what should be produced in them, and at what rate.

H. G. Wells, in an article for last week's issue of *The (London) Sunday Dispatch*, summarized in one sentence the trend in Britain which pushed Bevin into the limelight: "The turning point of the war came in Flanders and at Dunkerque when the common British took matters into their own hands." It explains why the 57-year-old former secretary of the powerful Transport and General Workers Union (which has 600,000 members) is now one of the biggest men in England.

Because Englishmen sitting around their coffee in the great dark clubs along Pall Mall now speculate seriously on the possibility that Bevin some day will be Prime Minister of Great Britain, remarks which he made recently at a Rotary Club luncheon in London are especially significant to Americans who are groping to see what the future holds for both Britain and the United States:

"If I had to say what was the fundamental cause of this great struggle I should not attribute it all to Hitler, or even to the domination of the Prussians. It seems to me two things were missed in the attempt to



Ernest Bevin, whose word is law on England's production front

create a different world after the terrible struggle of 1914-1918.

"The first was the failure to recognize that that war was (as indeed this one is) really a great civil war in Europe—a contest which ought to have determined whether we are to be ruled from the top or whether we are to have a government responsible to the people. If Hitler wins, as indeed if the Kaiser had won, we should have rule from the top. Rule from the top would mean a social structure in which the masses of the people would be looked upon first as soldiers for fighting and secondly as moderately well-kept beasts without reasoning powers.

"The second failure was that when the treaty came to be written after 1918, strategic security, as defined by militarists and the politicians, was the dominating factor, but the last 20 years have demonstrated that security cannot be attained by arms alone. Security can only be obtained in the final analysis if the power is vested in the people themselves.

"I suggest that at the end of this war, and indeed during the war, we

accept social security as the main motive of all our national life. That does not mean that all surpluses would be wiped out, but it would determine how they would be used. It means that the whole of our economy, finance, organization, science—everything, would be directed to give social security to the community as a whole.

"At the end of this struggle we shall have men demobilized from the army. Tremendous readjustments will have to be made. You will not solve the problem this time by putting men on the dole for a short period, tiding over by inflating your money for a few years, and then crashing down as you did after the last war. The very training of our armed forces today in this highly mechanized war is producing an outlook and an intensification of mentality that will never submit to the neglect that the untutored masses of the past had to undergo. Therefore, I urge every citizen to direct his mind not to tiding over an immediate difficulty but to the laying of a new foundation for society now.

"That involves intense development of our resources. Surely we can no longer allow great combines to restrict production and enterprise because of the effect on their capital investment and profits. I do not mind well-rationalized industry or a well-organized business but we cannot have finance as the dominant consideration: it must be service, and a business's only right to exist is if it serves a great social purpose."

It is typical of the temper of the times in Britain that an influential young business man in London should write to *Business Week* in defense of the attitude of his country's war production dictator: "From being considered a 'dangerous' Left Wing leader, Bevin has come to be recognized as the dominating personality in the moderate section of the Labor movement."

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grade to kill any foot-and-mouth disease microbes that it might contain.

• **Relations with Mexico**—Vice-President-elect Wallace attended President Avila Camacho's inauguration in Mexico and insiders insist that the outlook for closer Mexican-United States relations is better than at any time in the last 10 years. Observers look for the early formation of a Permanent Joint Defense Commission similar to the one established with Canada last year.

Washington's Geological Survey commissions are scattered from Mexico to Chile searching for strategic metals. The Department of Agriculture has a half dozen missions studying possibilities for quantity production of rubber, cinchona (for quinine), mandioca (from which tapioca is developed), cork, new kinds of vegetable oils, hemp or sisal.

• **Hunting for Markets**—Industrialists are touring Latin America on their own initiative looking for new markets and new sources of supplies that have been cut off in Europe or that are threatened in the Far East. The Rockefeller groups have not allowed the shift in Washington policy to interfere with survey plans.

Some big projects to substitute Latin American supply sources for present British Empire sources have simply been slowed down until developments in Europe clarify what is ahead.

• **President's View**—The President said in his message to Congress this week that he favored aiding the "defenders of democracy" with billions of dollars' worth of weapons of defense, and added:

"The time is near when they will not be able to pay for them in ready cash. I do not recommend that we make them a loan of dollars. Nearly all of their material would, if the time ever came, be useful for our own defense. We shall be repaid, within a reasonable time following the close of hostilities, in similar materials, or, at our option, in other goods of many kinds which they can produce and which we need."

This is the development of the last few months that has altered Washington's plans for intensive, large-scale development of raw materials in Latin America which are already produced in the Empire. It is behind the new conception of a British Empire-Western Hemisphere economic bloc that is just beginning to take shape.

Reich's Sinews

Nazis congratulate selves on war financing. Close to 50% of expenditures being met out of taxes. Interest rate cut.

BERLIN—Almost at the same time President Roosevelt sent the annual budget message to the American Con-

gress, ticketing \$10,811,000,000 for national defense for the fiscal year ending June 30, 1942, figures were being released in Berlin on the status of German war financing. Assistant Finance Minister Fritz Reinhardt's report reflected official Nazi satisfaction with the Reich's fiscal position thus far, and reiterated the frequently expressed thesis that under rigid totalitarian control of all aspects of the nation's economy, financing the war represents merely a technical problem.

• **About Half by Taxes**—The report contrasts German financing during the last war, when only 5% of military expenditures were covered by taxes, the remainder being made up by government borrowing, with the present practice whereby close to 50% of war expenditures is being met out of tax revenues.

An additional source of Nazi satisfaction was the announcement that the estimated total tax revenue for the current fiscal year would reach a record 30,000,000,000 marks compared with last year's 26,000,000,000. Reinhardt announced that no new taxes and no increases in present tax levels were contemplated for 1941.

• **Interest Rate Reduced**—Simultaneously the Reich, taking advantage of the liquidity of the capital market, has announced a reduction in the interest rate on new issues of treasury notes from the 4½% prevailing last year to 3½%.

The Reichsbank's currency circulation at the end of the year hit 14,000,000,000 marks for the first time. The 1939 figure was 11,800,000,000. This gives some indication of the increased purchasing power in the hands of the German people. Because supplies of consumer goods have been dwindling, rigid controls have been necessary to prevent prices from rising.

• **War Orders Transferred**—One current economic development being stressed in business publications is the growing practice of transferring war orders—largely in the form of sub-contracts—to occupied territories, notably Belgium, Holland, and northern France. The prevailing tendency heretofore has been to utilize the idle manpower of these territories by transplanting workers to the Reich.

This policy, which has already resulted in the transfer to Germany of 100,000 Dutch workers, is encountering barriers due to housing shortages within the Reich. That's the official explanation, but another factor behind this development is the probable increased effectiveness of British bombing attacks on Reich industrial centers. The farming out of sub-contracts to widely separated points is in line with the long-established German policy of industrial decentralization to reduce the vulnerability of war production to attack from the air.

Canada Goaded

Drastic moves to place defense production on a full war basis for the first time are expected in near future.

OTTAWA—Canadians are looking for an early shakeup in the defense industries which will put production, for the first time since the outbreak of hostilities, on a full-fledged wartime basis.

Action has been anticipated ever since word reached Ottawa a few weeks ago that Britain needed Canadian supplies "now," not in 1942. Hitler's threatened all-out attack on Britain, apparently scheduled for some time between February and June, is going to demand every plane, every gun, and every little torpedo boat that Canadian factories can deliver.

• **Howe's Homecoming**—Due back in the Dominion this week from London with full details of Britain's most urgent needs under the revised pattern of the war was doughty little Munitions and Supply Minister Charles Decatur Howe. Executives believed that both labor and management would be confronted with some pretty outspoken demands when Minister Howe spread the contents of his bulging briefcase.

• **Idle Capacity**—The continued existence of large reserves of unused industrial capacity after 18 months of war is drawing forth increasingly outspoken criticism in Toronto and Montreal.

One of the largest and most up-to-date airplane plants in Canada, the Malton plant of National Steel Car Co., represents an investment of \$2,500,000, and is fully equipped. Yet production is idling along at an estimated one-sixth of the plant's "all-out" potentialities, and the planes being built are of an outmoded type. The automotive plants are admittedly capable of large and rapid expansion, but the necessary planning and coordination seems to be lacking.

• **A State of Mind**—Consensus among self-critical Canadians is that the Dominion has so far failed to measure up to the urgencies of the situation—that Canada's productive effort is suffering from the same state of mind that prevailed in England up to the invasion of Holland last May.

It is estimated that with the establishment of more drastic priorities for war industries, several hundred thousand skilled workers could be released from non-essential industries to meet the impending labor shortage in war plants.

• **Restrictions on Steel**—One step in this direction was made last week when Steel Controller H. D. Scully issued an order reducing from 267 to 70 the number of standard steel shapes the primary

steel industry is permitted to roll. The question of steel supply is rapidly moving towards the top of Ottawa's war problems as the United States defense program places increasingly heavy demands on American steel-making capacity. The Controller's order is a forerunner of sharper restrictions to come.

Latin Bank Loan

National City's credit to Venezuela to ease exchange is first of kind since thirties and sets no precedent.

In extending a \$10,000,000 credit to the Central Bank of Venezuela, the National City Bank of New York has made our first strictly commercial bank loan to a government or government agency since the early 1930's. It's for seven months, with certain continuing agreements, will be used by Venezuelan importers to pay for goods already imported and for which no dollar exchange was available under the tight Venezuelan exchange control.

• **Debt Payments Restricted**—Under the

terms of the decree of Oct. 25, 1940, 40% of the dollar exchange arising from the sale of Venezuelan goods (mostly oil) to the United States was reserved by government order for the liquidation of old debts. What remains of these old debts will now be paid off by the National City loan. A probable effect of the credit extension will be a reduction of the proportionate share of currently accruing dollar exchange now earmarked for old obligations, and a corresponding increase in the amount available for new imports.

Out of an estimated \$5,000,000 which Venezuela is now receiving each month for sales in the United States, the provisions of the October decree leave only \$2,000,000 available to Venezuelan importers for the payment of old obligations. Another \$2,750,000 is reserved for new private and governmental purchases in the United States. The remainder goes into a miscellaneous fund.

• **No Precedent**—The borrowing government's financial position is unique among Latin-American nations in that there is no external debt; so this loan leads to no expectation of similar credit extensions to any of Venezuela's neighbors. The Venezuelan economy is based primarily on petroleum, and by 1938



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TEST-HOIST FURNISHED IT!

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Crane-Hoist Controller

WHEN buying cranes for their army-tank plant, the executives of a prominent mid-western company were faced with the problem of securing the most efficient crane controls.

Hearing of the new EC&M all A-c Magnetic Crane Control, they wanted to see it in action. So they flew to Cleveland and witnessed a demonstration on the EC&M Test-Hoist.

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For existing cranes or new cranes of the overhead, whirler, portal and other types, this "EC&M Frequency Relay Magnetic Control" offers a very substantial improvement in crane performance. Ask for Folder 930-A. The Electric Controller & Mfg. Co., Cleveland, Ohio.



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Open this book at almost any page and you'll find a promotional scheme that will sizzle into sales. Scores of ideas and methods are here, taken from successful practice, condensed and classified, ready for you to use "as is" or to adapt to numerous situations. Helps you make sure no promotional opportunities are overlooked, pick tested ideas that fit your needs, get a quick start with methods that work.

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production had risen to over 28 million metric tons, of which nearly 27 million tons were exported, making Venezuela the third largest oil-producing country.

High production royalties, export taxes, and initial payments for opening new concessions have enabled the government to finance expenditures in the past without the necessity of external borrowing. However, out of Venezuela's 1938 petroleum exports of 185,126,000 bbl., only 12.3% went to the United States, and the percentage has not increased appreciably. In addition, the war has cut into exports to continental Europe and caused Britain to introduce sterling control, thus limiting the amount of sterling exchange available to Venezuela for possible conversion into dollars on a triangular basis. The present loan is solely for the purpose of easing the temporary shortage of dollar exchange.

Export Subsidiary

Marks and Spencer, Ltd., sets up unit in U.S. to promote sale of non-competitive English textiles and other items.

The British drive to obtain dollar exchange by increasing exports has taken a new turn with the establishment in this country of an export subsidiary of England's second largest retail organization, Marks and Spencer, Ltd. The American company, called Marks and Spencer Sales Corp., will promote the sale of English textiles and other lines designed especially for the American market. The American subsidiary is headed by Mr. I. M. Sieff, vice-chairman of the English company, which owns and operates some 230 stores in the British Isles.

Back of the plan, which has the support of the British Board of Trade and is functioning with the government's blessing, is the idea of increasing the volume sale of British goods by close cooperation with manufacturers through all stages of production. Arrangements have been made with a number of large cotton and woolen mills in England to insure adequate supplies of cloth, which will be imported by Marks and Spencer and made up in American factories.

• **Goods Not Competitive**—Goods to be imported include English woolsens, tropicals, flannels, gabardines, lightweight wools, crepes, angoras, women's and children's knitted wear, and specialty cottons. The decision as to the types to be imported followed a close study of the gaps in American production with a view to avoiding competitive goods. Imports for the most part will be traditional English items not produced in the United States.

PROFIT & LOSS

Steady

Just when you're feeling fine and healthy, somebody comes along and tells you about a new ailment he's discovered which you've been suffering from for years without being at all aware of it.

Take the Juster Bros. clothing store in Minneapolis. They know what makes you feel so dull and lousy. They know why you're tired and run-down. It's your overcoat. It's off balance.

Juster Bros. sells an overcoat that presents "a new sensation in burdenless coats—Center Balance." Center Balance, it says, is a new design principle that balances the shoulders and body of a coat on a true line through the center. By distributing the weight equally, it is able to eliminate that tiresome "drag" most winter overcoats have.

Throw away those Pep Pills, boys! Hop out of that sick-bed! Just discard that old unbalanced overcoat and get a new perspective on life.

Take It Easy

The Plantation Pie Co. of Denver gets in a nice little plug for its products and issues a traffic warning at the same time by putting this sign on the back of all its trucks:



Record

It must have been force of habit that prompted the Dow-Jones stock ticker to report, early on the morning of Jan. 2—the first business day of 1941—that Universal Pictures Preferred had just gone into new high ground for the year.

Greetings

Speaking of the new year, the Meadow Gold Dairy in Denver took occasion to work out a nice promotion on New Year's morning this year, when it deposited bottles of buttermilk, wrapped in red cellophane, on some

step up production

With modern high speed Gas equipment

The important role that gas and modern gas equipment play in speeding up industrial production today is demonstrated in thousands of manufacturing plants all over the country.

Here are a few typical examples:

"Greater output in less time"

—Free Sewing Machine Co., Rockford, Ill.

"Saves 20 minutes per hour"

—Dayton Pump & Mfg. Co., Dayton, Ohio.

"Gas cuts firing cycle, makes better product"

—McDaniel Refractory Porcelain Co., Beaver Falls, Pa.

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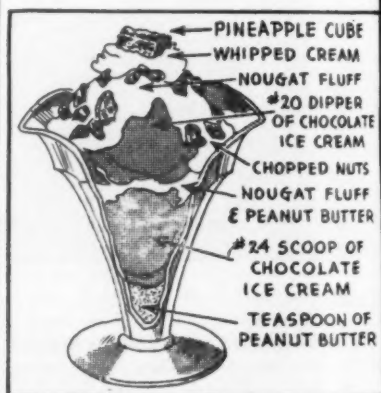
A Friend

Science

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That's when you really find out that the business is more than an art—when



you look at a cross section of a sundae. Probably you've always looked at one from the top before, from the cherry and whipped cream angle.

Consider the effect though, when you see a sundae bisected—when you see, as you do in the picture above, a Dipsy Doodle sundae bisected. It's pure, cold science—like a chart showing the workings of the average municipal government; and doesn't look nearly as edible.

THE TRADING POST

Hi-Yo, Seattle!

Can it be there's an extra special opportunity in Seattle for an enterprising restaurateur? The question is raised by a letter I had a few weeks ago from a business friend now on the Pacific Coast. Here's a piece of it:

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There's something queer about all this. I know I haven't been to Seattle for quite a spell—worse luck, because I agree that it's "a swell place to be"—but I don't recall that I fed so poorly. Wonder if the chow really has been slipping? Or can it be my friend erred when he called on a San Franciscan for information about Seattle?

Buy Latin-American

Still another slant on Latin-American trade is offered by the following letter from James S. Carson, vice-pres. the American & Foreign Power Co.:

We are going to lend the countries of Latin-America a lot of money to create dollar exchange that will stabilize their local currencies and enable them to buy from us. But if that is as far as the program goes, it will be but a temporary relief for the desperate situation in which many of the southern countries find themselves.

It is becoming generally recognized here, even among laymen, that if we are to increase and hold our trade with the other Americas, we must concern ourselves as much with purchases from them as we have hitherto with sales to them. I agree with loans to Latin-American countries, provided they have as their aim the production of goods and raw materials and their transfer to this country.

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But the other side of the picture deals with import restrictions on meats and linseed from the Argentine, copper from Chile and Peru, and sugar from Cuba, which makes the "good-neighbor" policy mere lip-service where political expediency intervenes. The failure of the U. S. Senate to ratify the Sanitary Convention signed by Secretary Hull and Argentine Ambassador Espil on May 24, 1935 is not conducive to better inter-American economic relations.

That convention would restore, insofar as Argentina is concerned, an earlier embargo imposed by Washington in Jan. 1927 against imported meats from an infected area in any part of the world, whether a country, a region, or an area of a country. But it would permit imports from uninfected areas of a country. That 1927 embargo was enlarged and made effective by the Smoot-Hawley Act of 1930. Since then, embargoes stand against every part of a country which has been exposed to infection, even though well-defined areas of the country never have been touched by or exposed to the foot-and-mouth disease.

This sweeping provision has been unfair to Argentina and hurtful to her products, not only in the U. S. but also, because of the stigma created by our law, in other countries. Department of Agriculture experts declare that in a large area of southern Argentina the disease has never been known to occur during the last three decades. An import duty of 65¢ per bushel on linseed, a disguised import toll in the form of an excise tax on copper, and some of our sanitary regulations on fruits and vegetables also, are regarded by our southern neighbors as hypocritical evasions.

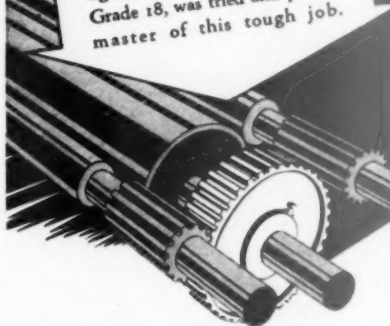
We can buy considerably more from Latin-America right now if we follow the laws of economics rather than political expediency based on narrow, selfish, sectional interests. We can buy very much more if the large sums we are to lend are properly used to stimulate production and facilitate transportation. We must buy more from them now if we are to hold our present trade in the post-war era.

Yet there's something more to be said on this matter of buying more Latin-American products. It should be said right here but here's the last line for this page. Next week perhaps. W.C.

SUCCESS STORY

AMPCO— the only Survivor!

The grueling punishment given this printing press inkler gear by two contacting gears running at 400 r. p. m. and sliding constantly back and forth across the face of this intermediate gearface was too much for metal after metal to "take." Then centrifugally cast AMPCO METAL, Grade 18, was tried and proved master of this tough job.

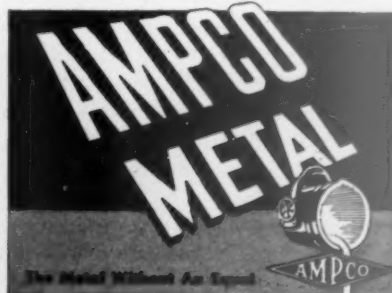


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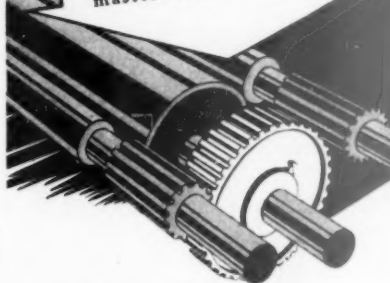
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AMPCO METAL, INC.

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Milwaukee Wisconsin



THE TREND

CAN WE AFFORD TO LEND?

One thing is certain. The proposal to get away from the dollar sign in extending aid to Great Britain is sound economics as well as good business. Apparently, a lesson has been learned from the last war.

The post-war world was unable to live up to the dollar obligations the war imposed. That was because a basic change had taken place in the economic relations of the United States with other countries. This change was recognized by some economists, but not by enough. It was recognized by some statesmen, but again by not enough. And even today, it is insufficiently understood or acknowledged.

The World War transformed the United States from a debtor nation to a creditor nation. Prior to 1914, the American investment stake in foreign countries was small; conversely the foreign stake in America was large, and, the United States paid interest and dividends to the rest of the world. But after 1914, this country was on the receiving end of interest and dividends. The following tabulation is by no means exact (data for early years are scant), but it serves to indicate that dramatic shift in American and foreign creditor-debtor relationships:

Year	Estimates of Foreign Investments in the United States	Estimates of American Investments Abroad	U. S. Creditor Position
1899...	\$3,300,000,000	\$500,000,000	—\$2,800,000,000
1914...	5,000,000,000	2,000,000,000	— 3,000,000,000
1927...	3,700,000,000	12,500,000,000	+ 8,800,000,000
1929...	4,700,000,000	14,400,000,000	+ 9,700,000,000
1939...	4,800,000,000	10,800,000,000*	+ 6,000,000,000*

* The drop since 1929 is due to defaults on foreign bonds and to withdrawals of American cash funds from Europe.

• **This transition** from debtor to creditor nation makes it necessary to consider any advances of war materials or services to Great Britain in the class of outright gifts or at best as doubtful assets, if designated as loans. Certainly, no prudent dealer in securities would consider them negotiable I.O.U.'s. The reason for this is that the United States was not cut out to be a creditor nation; it was not made to be a rentier and live on income from other countries. For, basically, the United States is a producer nation. With its vast natural resources, man-power, and productive machinery, this country today has not the economic constitution to receive interest and dividends from the rest of the world.

The nub of the matter is this: There are three, and only three, ways in which to pay off international obligations—(1) in goods; (2) in services; (3) through transfer of capital assets, such as gold, securities and, less frequently, real estate (such as colonial possessions). As a practical matter, no nation can continue meeting its obligations with capital assets for any length of time. Gold supplies, if there is a consistent outgo, are soon exhausted, securities are liquidated; and the same goes for colonial possessions. Therefore, at best, capital transfers can only be looked

upon as temporary expedients. Eventually, a debtor nation must pay its interest and its dividends with goods and services; and that means, as a corollary, that the creditor nation must be willing to accept the debtor's goods and services in payment.

The paradox of the post-war epoch in international finance was that the United States persisted in its demands for payment of war debts and private debts, but just as persistently refused payment. Our economic policy—to protect American manufacturers and farmers—was designed to keep out foreign goods. The Hawley-Smoot tariff is the outstanding example of refusing to let the debtor in the door.

• **Now President Roosevelt** has not said it in so many words, but he has implied that when the time comes for Britain to pay back what it now borrows, it will be permitted to pay in goods. But Washington is apparently coming to recognize that, just as Britain has not the ability to pay cash now, so also this country probably will not have the ability to accept competitive goods after the war is over. Neither American manufacturers nor American farmers will be anxious to have British exports come into this market. So an "out" is suggested—that Britain be held accountable not for dollars, but for munitions. Which means (1) that repayments will not compete with American peacetime production, (2) that ultimately a token payment may be deemed satisfactory.

It is not to be forgotten that traditionally this country is an export nation. Since the 1870's, the United States has exported more merchandise than it has imported. And because of its export balance of trade, payment of interest on foreign investments has never been a serious problem for this country. (Being a debtor nation is the economic complement of being a nation with an export balance of trade.)

But after the World War the United States was both a creditor nation and an export nation. And to aggravate the drain on the rest of the world, this country's export balance continued to increase instead of decrease. Consequently other nations sold securities over here and our creditor position further expanded. It was inevitable that the debtors would have to default.

Now we are about to embark on lending again. But neither the depression nor the war has changed this country's economic orientation. The United States is still an export nation (see chart on cover); we still sell more goods abroad than we import. And after this war is over, our plant capacity will be geared to even greater exports. That is why it is good business as well as good economics for the government to treat these loans as in a special category—payable on a when, as, and if basis. For the fact remains that economically this country is constituted to be a bad creditor.

The Editors of Business Week

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